Statement of John Herron
to
Triumph Gulf Coast Board

Triumph Project No. 317, PSC Partnership with ST Engineering for A&P Training

August 22, 2024

No Triumph Gulf Coast funding should be awarded for a proposed partnership between Pensacola State College (PSC) and ST Engineering until the matter of Chilean guest workers is adequately resolved, there is more transparency about ST aircraft mechanic compensation rates and pay scales based on specialty and time employed, and annual reports from previous projects are thoroughly reviewed and vigorously audited.

I am a resident of Pensacola, and I expressed concerns about ST and the recent dismissal of many Chilean workers. Workers in situations like this are exposed to extreme stress and their families are overwhelmed with anxiety resulting in depression, broken marriages, and worse. I am not surprised to learn the wife of a recently dismissed Chilean worker who was recruited by ST suffered a heart attack.[1]

When the story about ST's treatment of guest workers first broke, ST gave no specifics about visa problems while telling local media sources "We are incredibly appreciative of their contributions to our community.[2] The day before, ST mailed *postdated* termination letters to the workers, telling them: "… make immediate arrangements to leave the United States if you have not already done so." ST provided the name and email address of a company lawyer to discuss immigration options, but phone calls and emails seeking advice were not answered.[3]

When the City of Pensacola asked the Triumph Gulf Coast Board to grant and additional $10 million for ST expansion in 2019, in addition to a previous $56 million grant, ST reluctantly agreed to a seven-year job commitment.[4] Conversely, ST's hangars cost more than $200 million to build.

ST rightly boasts Pensacola's "state-of-the-art infrastructure" when signing large contracts with major North American customers.[5] ST profits exceeded $700 million last year, up 18 percent from the previous year.[6]

Even though the City, County and State, and Triumph Gulf Coast contributed tens of millions towards ST infrastructure, we learned the median pay for employees was $47,109.40 – 40% below the national average – when more public funding from the Pensacola City Council was sought for an ST expansion project.[7] Section 9 of a Lease Agreement between the City of Pensacola and ST (VT Mobile Aerospace Engineering) provides that the City should be receiving annual documentation about minimum job levels, monthly job reports "… in sufficient detail to evidence job levels and the compensation associated with each job", and has the authority to audit ST records to validate information presented.[8]

The national average for aviation mechanics is $36 per hour, but we are told ST was paying the recently dismissed Chilean mechanics only $28 per hour. And then, ST turned around and fired them without cause a year later, leaving them in immigration limbo. This is a total disregard for the lives of these workers and their families. We don't treat workers like this, whether they are Pensacola residents or guest workers from another country. We must do better. And if we don't, this well capitalized global corporation will be equally ruthless in how it treats Pensacola workers.

There is a safety issue too. Evidence ST Mobile pressured workers and engaged in other unsafe aircraft maintenance was revealed in the PBS Frontline investigation ***Flying Cheaper***.[9] The *Flying Cheaper* documentary is 19 minutes long, and the evidence revealed deserves your consideration.

If ST acts like this with work rules and people, it is likely to treat aviation safety rules similarly. Do workers feel enabled to raise safety concerns that might increase costs to the corporation, or admit good faith mistakes without fear of reprisal? Probably not. Remember, this work involves large airplanes that are taken apart for heavy maintenance, then put back together again, then fly loaded with gas over our homes.

We all want job creation and economic development. But the recent shenanigans and lack of transparency are deeply disturbing, and if ST treats guest workers in such an inhumane manner, we should not expect local workers to be treated differently.

The treatment of the Chilean workers raises questions about the quality of the jobs and economic activity created. It also raises questions about the long-term sustainability of this proposal. Accordingly, the proposed grant of $12.4 million for the ST – PSC partnership (Triumph Proposal No. 317) should be paused until the matter of Chilean guest workers at ST Pensacola is adequately resolved, more transparency about job creation and ST compensation rates and pay scales is provided, and annual and monthly reports from other ST projects are reviewed and audited.

Enclosures:

(1) Email from Alvin Bass, VT MAE Senior Vice President/GM, July 23, 2024
(2) Termination of Employment Letter from Ryan Lee, ST Engineering Senior Director, Human Resources, July 22, 2024
(3) Letters from Escambia County Commission Mike Kohler to ST Engineering
(4) Hangar 1 Lease Agreement between ST and City of Pensacola
(5) Guest Opinion, ST Engineering turns American dream into nightmare, Aug 18, 2024

[1] Public testimony by Chilean workers, advocates and engaged citizens are available at the following local government meetings:

Pensacola City Council Regular Meeting, July 18, 2024, Public Forum, at https://pensacolafl.portal.civicclerk.com/event/294/media (time 13:30 – 31:30);

Escambia County Board of County Commissioners Meeting, Aug 1, 2024, at https://www.youtube.com/watch?v=oNSMFLiKlfg&t=1090s (time 15:15 – 23:43; time 1:07:45 – 1:09:00);

Pensacola City Council Regular Meeting, Aug 8, 2024, Public Forum, at https://pensacolafl.portal.civicclerk.com/event/320/media (time 7:00 – 25:00; 28:30 – 31:00; 39:00 – 41:30)

[2] Email from Alvin Bass, VT MAE Senior Vice President/GM, July 23, 2024. ST Engineering Aerospace and VT Mobile Aerospace Engineering (MAE) are used interchangeably.

[3] Termination of Employment Letter from Ryan Lee, ST Engineering Senior Director, Human Resources Talent Acquisition and Development, July 22, 2024.

[4] Triumph Gulf Coast board agrees to $10 million more for ST Engineering expansion, by Jim Little, PNJ, Feb 8, 2019, at https://www.pnj.com/story/news/2019/02/08/triumph-board-agrees-10-million-more-st-engineering-expansion-pensacola-airport/2811314002/.

[5] *ST Engineering's Aerospace Sector Secures 10-year Airframe MRO Contract from Existing Customer*, Feb 25, 2019, at https://www.stengg.com/en/newsroom/news-releases/st-engineering-s-aerospace-sector-secures-10-year-airframe-mro-contract-from-existing-customer/ (ST signed a contract worth about $600 million to provide heavy aircraft maintenance services to a major North American operator, citing Pensacola's "state-of-the-art infrastructure").

[6] *ST Engineering Achieves Strong Revenue and Net Profit For 2023*, Feb 29, 2024, at https://www.stengg.com/en/newsroom/news-releases/st-engineering-achieves-strong-revenue-and-net-profit-for-2023#:~:text=.

[7] *How much do ST Engineering employees earn and where do they live?*, by Jim Little, PNJ, Feb 21, 2019, at https://www.pnj.com/story/news/2019/02/21/st-engineering-releases-salaries-race-locations-156-pensacola-workers/2926742002/#;
Pensacola set to borrow up to $20 million to cover cash flow of ST Engineering expansion project, by Jim Little, PNJ, Mar 22, 2019, at https://www.pnj.com/story/news/2019/03/22/st-engineering-expansion-pensacola-set-borrow-up-20-million-project/3233604002/;
Gov. DeSantis announces $4.8 million grant for ST Engineering expansion, project now fully funded, by Jim Little, PNJ, Feb 19, 2020, at https://www.pnj.com/picture-gallery/news/2020/02/19/gov-desantis-presents-pensacola-4-8-m-grant-st-engineering-expansion/4806528002/ (funding for ST Engineering infrastructure includes $35 million from ST Engineering, $3 million from the Florida Legislature, $18.8 million from the State of Florida, $20 million from the Florida Department of Transportation, $15 million from Escambia County, $15 million from the City of Pensacola, $12.2 million from the U.S. Economic Development Administration, and $66 million from Triumph Gulf Coast)

[8] Real Property Lease at Pensacola International Airport between VT Mobile Aerospace Engineering, Inc. and City of Pensacola, approved at a Special Meeting of the Pensacola City Council, Sep 9, 2014.

[9] *Flying Cheaper*, by Miles O'Brien, Rick Young and Catherine Rentz, PBS Frontline, Jan 18, 2011, at https://www.youtube.com/watch?v=sw0b020OFj4. *Flying Cheaper* is a follow-on to the investigation of the regional airline industry in *Flying Cheap*. *Flying Cheaper* focuses on the outsourcing of major airline repair work to foreign-based maintenance operations, from China to El Salvador, and to U.S.-based contractors who keep costs low by using unlicensed mechanics.

Begin forwarded message:

From: "BASS, Alvin" <Alvin.BASS@stengg.us>
Subject: VT MAE Follow Up On Employment Concerns
Date: July 23, 2024 at 5:37:23 AM CDT
To: "rick@inweekly.net" <rick@inweekly.net>

Hi Rick,

I wanted to take the opportunity to follow up with you regarding the recent concerns that have been raised.

VT MAE is proud of the 1,700 jobs it is creating through its aircraft maintenance facility at Pensacola International Airport. The aircraft maintenance facility is a significant boost to the local economy with positive impact reverberating across our community, enhancing economic stability and growth for years to come.

To fill some of these jobs, VT MAE has

employed people here on temporary work visas. We are incredibly appreciative of their contributions to our community. As their visas are temporary, they require U.S. government renewals which are never guaranteed. VT MAE must evaluate each individual's circumstances to ensure the employee is eligible for continued sponsorship in their particular visa category. VT MAE is currently exploring other employment-based visa options as means to continue working with these valued colleagues. We are communicating with all impacted employees and providing appropriate documentation to help with visa renewal/application.

Best regards,

Alvin Bass
SVP / GM
VT MAE

From the office of
Commissioner Michael S. Kohler, District Two

Aug 05, 2024

Senior Corporate Counsel
Immigration & Mobility Specialist
ST Engineering North America, Inc.
99 Canal Center Plaza, Ste. 220
Alexandria, VA 22314

Dear Ms. Strange & Ms. Dunne,

I am writing to address the termination of the Chilean workers at ST Engineering and VT MAE in Pensacola, Fla. and Mobile, Ala. It is disappointing, to say the least, to hear and read of the devastating affects the layoffs of approximately 300 foreign nationals from your facilities. Their unemployment from their visa sponsor in a place where there is a language barrier and great distance from their home country and support system requires immediate and sufficient action as a matter of humaneness, decency and responsibility as their visa sponsor.

I understand these workers' current visas will not be renewed due to an investigation of issues surrounding their renewability. I also understand your office is experimenting with offering employment under a different type of visa. The result of either of these situations is unemployment and their returning to their country.

As it appears the lack of experience with these visa employments has resulted in significant difficulties to these workers' lives, and financial support is an appropriate solution to keep them afloat while they replan their lives. In hopes to recover from and prevent further damage to these workers and their families, I ask ST Engineering to consider providing them with the following:

- Severance pay for those suspended and dismissed without prior notice, equivalent to 3 months of salary for a 40-hour work week.
- Severance pay equal to 3 months salary for those who will be dismissed due to company-related visa issues.
- Removal of any non-compete clauses that may be preventing these workers from contracting with other employers/sponsors in Pensacola, Mobile or elsewhere.
- Commit to ensuring that any future hiring of foreign nationals includes at minimum a two-month paid prior notice of dismissal.

221 Palafox Place, Suite 400 | P.O. Box 1591 | Pensacola, Florida 32591-1591 | 850.595.4900

From the office of
Commissioner Michael S. Kohler, District Two

As you know, Escambia County, the State of Florida and the City of Pensacola have enjoyed a strong partnership with ST Engineering and have provided substantial funding for infrastructure at Pensacola Airport dedicated for use by ST Engineering. Our commitment is reflected in continued investments in ST Engineering and profits which increased nearly twenty percent last year. Project Titan and ST Engineering's presence in Pensacola are cited to generate over 1,700 high-paying jobs when fully completed and we are now six years into the project.

I would greatly appreciate a meeting as soon as possible with you and your Human Resources Director Randy Lee. I am confident that you understand the importance of providing some compensation for these workers that have had their lives completely disrupted. Please contact my office at (850)595-4920 or email me at District2@myescambia.com I look forward to hearing your side.

Very respectfully,

Michael S Kohler

221 Palafox Place, Suite 400 | P.O. Box 1591 | Pensacola, Florida 32591-1591 | 850.595.4900

From the office of
Commissioner Michael S. Kohler, District Two

Aug 05, 2024

SVP / General Manager
Senior Director of Human Resources
ST Engineering - Mobile Aerospace Engineering (MAE)
2100 Aerospace Drive
Mobile, AL 36615

Dear Mr. Bass & Mr. Lee,

I am writing to address the termination of the Chilean workers at ST Engineering and VT MAE in Pensacola, Fla. and Mobile, Ala. It is disappointing, to say the least, to hear and read of the devastating affects the layoffs of approximately 300 foreign nationals from your facilities. Their unemployment from their visa sponsor in a place where there is a language barrier and great distance from their home country and support system requires immediate and sufficient action as a matter of humaneness, decency and responsibility as their visa sponsor.

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Very respectfully,

Michael S Kohler

221 Palafox Place, Suite 400 | P.O. Box 1591 | Pensacola, Florida 32591-1591 | 850.595.4900

Office of the City Clerk

City of Pensacola

America's First Settlement
Established 1559

NOTICE OF SPECIAL MEETING
CITY COUNCIL
OF THE
CITY OF PENSACOLA

TUESDAY, SEPTEMBER 9, 2014, 2:00 P.M.
COUNCIL CHAMBERS,
1ST FLOOR, CITY HALL

AT THE REQUEST OF THE MAYOR, the City Council of the City of Pensacola, Florida will hold a SPECIAL MEETING on **TUESDAY, SEPTEMBER 9, 2014,** beginning at 2:00 P.M., Council Chambers, 1st Floor of City Hall, 222 West Main Street, Pensacola, Florida, for the following purpose:

APPROVAL OF LEASE WITH VT MOBILE AEROSPACE ENGINEERING, INC.

If any person decides to appeal any decision made with respect to any matter considered at such meeting, he will need a record of the proceedings, and that for such purpose he may need to ensure that a verbatim record of the proceedings is made, which record includes the testimony and evidence upon which the appeal is to be based.

The City of Pensacola adheres to the Americans with Disabilities Act and will make reasonable accommodations for access to City services, programs and activities. Please call 435-1606 (TDD 435-1666) for further information. Request must be made at least 48 hours in advance of the event in order to allow the City time to provide the requested services.

Ericka L. Burnett,
City Clerk

COUNCIL MEMORANDUM

Council Meeting Date: September 9, 2014

LEGISLATIVE ACTION ITEM

SPONSOR: Ashton J. Hayward, III, Mayor A.4.

SUBJECT: Approval of Lease with VT Mobile Aerospace Engineering, Inc.

RECOMMENDATION:

That City Council approve the lease between VT Mobile Aerospace Engineering, Inc. and the City of Pensacola, and authorize the Mayor to execute all documents necessary to complete the transaction.

AGENDA: __X__ Regular _____ Consent

Hearing Required: Public _____ Quasi-Judicial _____ No Hearing Required __X__

SUMMARY:

The City of Pensacola, Escambia County, Greater Pensacola Chamber, and other agencies have been working since 2012 to attract VT Mobile Aerospace Engineering, Inc. ("VT MAE," formerly known as ST Aerospace Mobile, Inc.) to Pensacola and establish a maintenance, repair, and overhaul (MRO) facility on 18.66 acres of land at Pensacola International Airport.

The project is expected to create a minimum of 300 full-time, high-skilled jobs with an average salary of $41,000. If VT MAE fails to achieve the minimum number of jobs within the first ten years of the lease term, it shall reimburse the City in the amount of $2,286 multiplied by the difference between the minimum jobs commitment and the actual number of jobs created. The total project cost of $37,344,300 is being funded by a combination of VT MAE investment, state and federal grants, and local funds. The previously-approved Interlocal Agreement between the City of Pensacola and Escambia County outlines the arrangements regarding local funding as well as workforce development and training.

The lease term proposed is 30 years, with no automatic extensions. At the end of the term, VT MAE will have the option to purchase the facilities (not the land) for fair market value. The initial ground rent is set at $.30 per square foot, or a total annual rent of $243,848.88. During the first 10 years of the lease term, rent will increase by CPI with an annual limit of 2% per year. At the end of the 10th and 20th years of the lease term, the rent will be re-determined based on an appraisal.

During the first 15 years of the lease, VT MAE has a right of first refusal and an option to lease additional land (approximately 16.56 adjacent acres) at the Airport.

PRIOR ACTION:

December 2013: Mayor Ashton Hayward executed nonbinding Memorandum of Understanding with ST Aerospace which allowed the City to begin contract negotiations.

February 13, 2014: City Council Discussion Item and Presentation on the ST Aerospace Economic Development Project at the Pensacola International Airport.

February 27, 2014: City Council approved Interlocal Agreement with Escambia County and the City of Pensacola for Funding of Economic Development Project – ST Aerospace of Mobile, Inc.

FUNDING:

A supplemental budget resolution will be presented to Council for approval in the near future.

FINANCIAL IMPACT:

The lease agreement with VT MAE will produce minimum annual revenue to the Pensacola International Airport of $243,848.88.

STAFF CONTACT: Richard Barker, Jr., Interim City Administrator and Chief Financial Officer
Tamara W. Fountain, Chief Operations Officer
Daniel E. Flynn, Interim Airport Director

ATTACHMENTS:

1) Proposed Lease Between VT Mobile Aerospace Engineering, Inc. and the City of Pensacola

PRESENTATION: No

PENSACOLA
THE UPSIDE of FLORIDA

OFFICE of the MAYOR

MEMORANDUM

TO: City Council

FROM: Tamara Fountain, Chief Operations Officer

DATE: September 2, 2014

RE: VT MAE Lease – Minor Revision

Madam President and Members of the City Council,

Legal counsel for the City has advised that the final draft of the proposed lease with VT Mobile Aerospace Engineering, Inc., which was distributed to you last Friday, lacked a minor provision which had been inadvertently dropped from a previous draft. Counsel has provided an updated lease which includes the missing Section 20.05 and the revised document is attached.

cc: William D. "Rusty" Wells, Assistant City Attorney — Council Liaison

REAL PROPERTY LEASE
AT

PENSACOLA INTERNATIONAL AIRPORT

BETWEEN

VT MOBILE AEROSPACE ENGINEERING, INC.
AND
CITY OF PENSACOLA, FLORIDA

EFFECTIVE DATE: _____, 2014

Table of Contents

List of Exhibits

PENSACOLA INTERNATIONAL AIRPORT
REAL PROPERTY LEASE

This Pensacola International Airport Real Property Lease ("Lease") is hereby made and entered into as of the Effective Date (hereinafter defined), by and between **VT MOBILE AEROSPACE ENGINEERING, INC.**, a corporation organized in the State of Alabama and duly qualified to do business in the State of Florida ("the Company"), and the **CITY OF PENSACOLA, FLORIDA,** a Florida municipality ("the City"), in its capacity as owner and operator of **PENSACOLA INTERNATIONAL AIRPORT** ("the Airport"). The City and the Company may, from time to time, be referred to in this Lease individually as "a Party" and collectively as "the Parties."

RECITALS

WHEREAS, the City is the owner and operator of the Airport (as hereinafter defined); and

WHEREAS, the City, as lessor, desires to lease to the Company, as lessee, certain Leased Premises (as hereinafter defined) located within the Airport, and the Company, as lessee, desires to lease the Leased Premises from the City, all upon the terms and subject to the conditions hereinafter set forth; and

NOW, THEREFORE**,** in consideration of the promises, covenants, terms, and conditions herein set forth, the Parties hereby agree as follows:

ARTICLE 1. DEFINITIONS

Section 1.01 **DEFINITIONS**

The following words and phrases, wherever used in this Lease, shall, for purposes of this Lease, have the following meanings:

"Additional Land" means that portion of the Airport land shown on Exhibit F attached hereto and incorporated herein by reference.

"Affiliate" means any corporation or other entity that directly, or indirectly through one or more intermediaries, controls or is controlled by or is under common control with, the Company.

"Aircraft MRO" means the maintenance, repair, overhaul, inspection, or modification of aircraft or aircraft components, and all ancillary activities.

"**Airport**" means Pensacola International Airport located in Pensacola, Florida, as it now exists, as shown on Exhibit H, and as it may exist in the future.

"**Airport Director**" means the person who from time to time holds the position of "Airport Director" of the Airport. Said term shall also include any person expressly designated by the City to exercise functions with respect to the rights and obligations of the Airport enterprise.

"Airport Master Plan" means the assembly of appropriate documents and drawings addressing development of the Airport from physical, economic, social, and political jurisdictional perspectives as designated from time to time by the City and the Airport Director as the Airport Master Plan. The Airport Master Plan includes, without limitation, forecasts of aviation demand, an Airport land use plan, an Airport layout plan set, an Airport approach and runway protection zone plan, a terminal area plan, an Airport access and parking plan, a staging plan, a capital improvement plan, and a **financial plan.**

"Baseline Environmental Conditions Study" means a study or studies prepared pursuant to Article 17 to document Land environmental conditions existing at the time of the study. Exhibit G is the initial Baseline Environmental Conditions Study prepared to document the present environmental condition of the Land.

"**Bond Resolution**" means Resolution No. 59-88, adopted as of September 8, 1988, as it may be amended or supplemented from time to time, and any other Resolution of the City regulating or authorizing the issuance of Bonds, as amended or supplemented from time to time, other than Special Purpose Facility Bonds (as defined in Resolution No. 59-88), payable from Airport revenue.

"City" means the City of Pensacola, Florida, and any successor to the City in ownership of the Airport.

"Common Use Space" means space within the Leased Premises which the Company is granted the non-exclusive right to use in common with others, in accordance with this Lease and the Rules and Regulations, which Common Use Space may include taxiways, aircraft maneuvering areas and other portions of the Airport as designated in this Lease or in the Rules and Regulations. The Common Use Space is shown on described on Exhibit B.

"Company" means VT Mobile Aerospace Engineering, Inc., a corporation organized in the State of Alabama, and any assignee of the lessee's leasehold estate in the Leased Premises pursuant to an assignment permitted by this Lease.

"Construction Manager at Risk" means the general contractor or construction manager contracted by the City to construct or manage the construction of the Facilities.

"Control" of an entity means the possession, directly or indirectly, of the power to direct or cause the direction of the management and policies of such entity, whether through the ownership of voting securities or by contract or otherwise.

"Date of Beneficial Occupancy" means the date that the Program Manager certifies that the Facilities have been substantially completed in substantial compliance with the Final Project Plans (as defined in Article 4 below) and a Certificate of Occupancy has been issued for the Facilities.

"**Design Professionals**" means the architect(s) and engineer(s) hired by the City to design the Project and/or furnish other design professional services in connection with the Project.

"**Disadvantaged Business Enterprise**" means a person or entity who qualifies as a small business owned and controlled by socially and economically disadvantaged individuals under the terms of Title I §109 of the Airport and Airway Safety and Capacity Expansion Act of 1987, 49 App. U.S.C. §2210 (a)(17).

"Effective Date" means the date upon which this Lease is executed by the last Party to execute this Lease, as shown by the respective dates set forth after the places provided herein below for the Parties' execution of this Lease.

"**Environmental Laws**" means, collectively, all federal, state, water management district, and local environmental, land use, safety, and health laws, rules, regulations, and ordinances, and common law, applicable to the Airport, the Company or the Leased Premises, including, but not limited to, the Occupational Safety and Health Act

of 1970 (29 U.S.C. § 651 et seq.); the Comprehensive Environmental Response, Compensation, and Liability Act of 1980 (42 U.S.C. § 9601 et seq.); the Hazardous Materials Transportation Act (49 U.S.C. § 5101 et seq.); the Resource Conservation and Recovery Act (42 U.S.C. § 6901 et seq.); the Toxic Substances Control Act of 1976 (15 U.S.C. § 2601 et seq.); the Clean Air Act (42 U.S.C. § 7401 et seq.)("CAA"); the Safe Drinking Water Act (42 U.S.C. §§ 300f-300j), the Federal Water Pollution Control Act (commonly known as the Clean Water Act) (33 U.S.C. §§ 1251-1387), and Sections 253, 373, 376 and 403, Florida Statutes, as any of the foregoing may hereafter be amended, any rule or regulation pursuant thereto, and any other present or future law, ordinance, rule, regulation, code, permit or permit condition, order, notice of violation, decree, consent agreement, or directive addressing any environmental, safety, or health issue of or by the federal government, or of or by any state or other political subdivision thereof, or any agency, court, or body of the federal government or any state or other political subdivision thereof, exercising executive, legislative, judicial, regulatory, or administrative functions. The term Environmental Laws shall also mean and include the Airport's Spill Prevention, Control, and Countermeasure Plan ("SPCC") and all future amendments thereto and the Airport's Storm Water Pollution Prevention Plan ("SWPPP") and all future amendments thereto.

"**Event of Default**" shall have the meaning assigned in Article 20 below.

"Exclusive Use Space" means space and areas within the Leased Premises for the use and occupancy of the Company to the exclusion of all others as shown on Exhibit B.

"**FAA**" means the Federal Aviation Administration of the United States government, or any federal agencies succeeding to its jurisdiction.

"Facilities" means the Aircraft MRO building and improvements to be constructed by the City upon the Land as part of the Project pursuant to plans and specifications approved by both the City and the Company in accordance with Article 4 below.

"Fair Market Rent" means the fair market rent of the Leased Premises as determined in accordance with Article 7 and Article 16.

"Ground Rent" means the annual rent for the Leased Premises as specified or determined in this Lease.

"Guaranteed Maximum Price" means the maximum all-inclusive price for which the Construction Manager at Risk agrees to construct the Facilities.

"Hazardous Substances" means any hazardous, toxic, or harmful substances, wastes, materials, pollutants, or contaminants (including, without limitation, asbestos, polychlorinated biphenyls, petroleum products, flammable explosives, radioactive materials, paint containing more than 0.5% lead by dry weight ("Lead Based Paint"), infectious substances, or raw materials which include hazardous constituents), or any other substances or materials that are included under or regulated by Environmental Laws.

"Land" means the land within the Airport consisting of approximately 18.66 acres +/-, as depicted on Exhibit A attached hereto, upon which the Facilities will be constructed.

"Leased Premises" means the Land and the Facilities constructed on the Land.

"Lease Term" shall have the meaning assigned in Section 3.01 below.

"Lease Year" means each period of twelve consecutive calendar months that begins on an anniversary of the Date of Beneficial Occupancy or, if the Date of Beneficial Occupancy is not the first day of a month, each period of twelve consecutive calendar months that begins on the first day of the next month after each such anniversary of the Date of Beneficial Occupancy; provided, however, that the first Lease Year shall commence on the Date of Beneficial Occupancy and continue to, but not including, the first day of the next Lease Year.

"MAI Appraiser" means a Member of the Appraisal Institute.

"Preferential Use Space" means that portion of the Leased Premises as shown on Exhibit B which the Company is granted the preferential non-exclusive right to use over all other users subject to the provisions of this Lease and the Rules and Regulations.

"Program Manager" means the program management firm contracted by the City to act as the City's representative with responsibility for Project delivery.

"Project" means the entire project, including but not limited to the Facilities, to be constructed on the Land and upon certain other areas of the Airport pursuant to plans and specifications approved by both the City and the Company in accordance with Article 4 below.

"Project Cost" means the actual total, all-inclusive cost of construction of the Project, including without limitation permitting fees, professional fees, and hard and soft costs of construction.

"Rent Commencement Date" means the earlier of (i) the Date of Beneficial Occupancy or (ii) the fourth anniversary of the Effective Date.

"Rules and Regulations" means those rules and regulations promulgated from time to time by the City or the Airport Director governing conduct on, and operations at, the Airport and use of any of the land and/or facilities of the Airport.

"**Subsidiary**" means any corporation or other entity more than fifty percent (50%) of whose outstanding stock (or other form of equity ownership) is, at the relevant time, owned by the Company or by another Subsidiary of the Company.

"**TSA**" means the Transportation Security Administration under the Department of Homeland Security of the United States government, or any federal agencies succeeding to its jurisdiction.

"Value Engineering" means an organized effort directed at analyzing function of facilities for the purpose of achieving the required function at the lowest cost consistent with requirements for performance, reliability, quality, and maintainability.

Section 1.02 **CROSS-REFERENCES**

All references in this Lease to articles, sections, and exhibits pertain to articles, sections, and exhibits of this Lease unless otherwise specified.

END OF ARTICLE

ARTICLE 2. LEASED PREMISES; RIGHT OF FIRST REFUSAL TO LEASE ADDITIONAL LAND; AND OPTION TO LEASE ADDITIONAL LAND

Section 2.01 **LEASED PREMISES**

The City does hereby lease to the Company, and the Company does hereby lease from the City, the Land and the Facilities to be constructed upon the Land pursuant to Article 4 of this Lease (collectively, the "Leased Premises") for the rent, upon the terms and subject to the conditions set forth in this Agreement.

Section 2.02 **RIGHT OF FIRST REFUSAL TO LEASE ADDITIONAL LAND**

During the first fifteen (15) Lease Years, the Company shall have, and is hereby granted, a right of first refusal to lease the Additional Land upon the terms and subject to the conditions hereinafter set forth in this Section 2.02 and in Section 2.04. The parties agree that upon completion of Project design, the City shall cause a current survey and legal description of the Additional Land to be prepared by a Florida-licensed land surveyor as part of the Project, and that the parties shall amend this Lease to delete Exhibit F and replace it with such survey and legal description. If, as, and when the City receives a bona fide arm's length written offer to lease the Additional Land for rent and upon terms and conditions that the City desires to accept (the "Third Party Lease Offer"), and if, but only if, at the time the City receives the Third Party Lease Offer there then exist no Event of Default and no state of facts which with the giving of notice or the lapse of time, or both, would constitute an Event of Default, the City shall provide the Company with the salient details of the Third Party Lease Offer in the form of a written notice to the Company. The Company shall have thirty (30) days from the date of delivery of the notice within which to exercise its right of first refusal by entering into a binding written lease for the Additional Land for the same rent and upon the same terms and conditions as set forth in the Third Party Lease Offer. If the Company does not so exercise its right of first refusal within such thirty (30) day period, both the right of first refusal hereby granted in this Section 2.02 and the option to lease granted in Section 2.03 shall automatically terminate without further notice to the Company, and thereupon the City shall be free to accept such Third Party Lease Offer and lease the Additional Land to the offeror in accordance with the material terms of such Third Party Lease Offer

The Company may waive in writing the right of first refusal granted by this Section 2.02 at any time during the Lease Term, and such right of first refusal shall terminate upon the City's receipt of such written waiver.

If not sooner terminated pursuant to this Article 2, the right of first refusal granted by this Section 2.02 shall automatically terminate, without notice to the Company, at the end of the fifteenth (15th) Lease Year.

Section 2.03 **OPTION TO LEASE ADDITIONAL LAND**

During the first fifteen (15) Lease Years, the Company shall have, and is hereby granted, an option to lease the Additional Land upon the terms and subject to the conditions hereinafter set forth in this Section 2.03 and in Section 2.04. This option to lease shall be exercised by Company, if at all, by written notice (the "Notice to Exercise") delivered to City as provided in Section 26.05 hereof, which Notice to Exercise shall state that the Company thereby exercises its option to lease granted by this Section 2.03. Upon the City's receipt of the Notice to Exercise, the following rights and obligations shall arise:

(a) Within forty-five (45) days after receiving the Notice to Exercise, the City shall engage an MAI Appraiser to determine the Fair Market Rent for the Additional Land, such Fair Market Rent to be determined in accordance with sound appraisal practices on the basis of, to the extent possible, the terms and conditions of leases and leased premises comparable to the terms of the Additional Land Lease (as defined in subsection (c) below) and the Additional Land in size, and in other material respects then being entered into in the relevant market area as determined by the MAI Appraiser, with appropriate adjustments to account for relevant and material differences. Upon receiving the MAI Appraiser's report, the City shall deliver the same to the Company and the Company shall have a period of twenty (20) days to send the City written notice of its (a) acceptance of the MAI Appraiser's report and agreement to pay Ground Rent for the Additional Land in the amount set forth in such report, (b) objection to the MAI Appraiser's report and notice of its desire to obtain its own appraisal pursuant to the provisions of the following paragraph, or (c) objection to the MAI Appraiser's report and notice that it terminates the Notice to Exercise. If the Company fails to deliver to the City written notice under option (a) or (b) above within the twenty (20) day period, the Company shall be deemed to terminate the Notice to Exercise. If the Notice to Exercise is terminated as hereinabove provided, the option to lease granted by this Section 2.03 and the right of first refusal granted by Section 2.02 shall nevertheless remain in full force and effect unless previously terminated or unless the City has been or is notified otherwise in writing by the Company.

Should the Company choose option (b) above, the Company shall then select, at its own cost and expense, an MAI Appraiser to perform an appraisal to determine the Fair Market Rent for the Additional Land based on the same criteria used by the City's MAI Appraiser. Such appraisal by the Company's MAI Appraiser shall be completed within sixty (60) days after the expiration of the 20-day period provided in the preceding paragraph. Following the completion of the appraisal by the Company's MAI Appraisal, the two appraisers shall jointly select a third MAI Appraiser who shall review the work of each appraiser. In the event the two MAI Appraisers cannot agree upon the selection of the third qualified MAI Appraiser, then the parties shall petition an arbitrator for the appointment of a third qualified MAI Appraiser. The review appraiser shall evaluate each report in all respects, with the validity and reasonableness of the final valuation conclusion being the principal focal point. The review appraiser should attempt to reconcile any variances between the different appraisals. However,

the review appraiser is not the appraiser and should not substitute his or her judgment for that of an appraiser. The review appraiser should secure necessary corrective material from an appraiser prior to the final recommendation of the Fair Market Rent rate for the Additional Land. The review appraiser shall make a recommendation of a single value and not a range of values. The review appraiser shall not derive a value different from the appraisals by using separate parts of the individual appraisals, nor shall the review appraiser average the appraisal conclusions. The review appraiser must approve the Fair Market Rent for the Additional Land from one of the appraisals only. The review appraiser's determination of the Fair Market Rent for the Additional Land shall be final, binding and non-appealable upon the parties. Upon the determination of the Fair Market Rent for the Additional Land by the third appraiser, the Company shall have a period of twenty (20) days to notify the City of its (a) acceptance of the third MAI Appraiser's determination and agreement to pay Ground Rent for the Additional Land in the amount determined by such third MAI Appraiser, or (b) objection to the third MAI Appraiser's determination and notice that it terminates the Notice to Exercise. If the Company fails to give written notice to the City pursuant to option (a) above within the twenty (20) day period, the Company shall be deemed to terminate the Notice to Exercise. If the Notice to Exercise is terminated as hereinabove provided, the option to lease granted by this Section 2.03 and the right of first refusal granted by Section 2.02 shall nevertheless remain in full force and effect unless previously terminated or unless the City has been or is notified otherwise in writing by the Company.

Each party shall bear the costs incurred by its own appraisers, and each shall bear one-half (1/2) the fees of the third party appraiser, and one-half (1/2) the arbitrator's fees incurred if an arbitrator is engaged.

(b) The City shall in good faith seek to enlist the assistance of the State of Florida, Escambia County, Florida and others in an initiative to generate financial grants to fund, in whole or in part, the construction of the Additional Facilities (as defined in subsection (c) below) and the recruitment of other incentives. The Company acknowledges and agrees that funding from these sources will be based upon a number of factors beyond the City's control, including but not limited to the number and quality of jobs to be created, the scope of the facilities to be constructed and the status and availability of economic development incentive programs at that time. The Company further acknowledges and agrees that the City makes no representation or warranty with respect to the availability or extent of any such financial grants or incentives, and that the City shall not be obligated to make any financial grant or contribution to the construction of the Additional Facilities. In the event that the financial grants and incentives available from the State of Florida, Escambia County, Florida, and others are insufficient, as determined by the Company in its sole and absolute discretion, the Company may terminate the Notice to Exercise by giving written notice of such termination to the City at any time within one hundred eighty (180) days after the City's receipt of the Notice to Exercise. If the Company fails to give written notice to the City pursuant to the preceding sentence within the one hundred eighty (180) day period, the

Company shall be deemed to terminate the Notice to Exercise. If the Notice to Exercise is terminated as hereinabove provided, the option to lease granted by this Section 2.03 and the right of first refusal granted by Section 2.02 shall nevertheless remain in full force and effect unless previously terminated or unless the City has been or is notified otherwise in writing by the Company.

(c) If the Notice to Exercise is not terminated pursuant to the provisions of subsections (a) or (b) of this Section 2.03, then within thirty (30) days after the later of (i) the determination of the Ground Rent pursuant to subsection (a) above or (ii) the expiration of the six-month period provided in subsection (b) above, the Company and the City shall execute, deliver and enter into a lease for the Additional Land (the "Additional Land Lease") whereby the Company, as lessee, leases the Additional Land from the City, as lessor, upon the following terms and conditions:

(1) The Additional Land Lease shall be a triple net lease as defined in this agreement and shall be for a term of thirty (30) years.

(2) The Additional Land Lease shall require the Company, at its sole cost and expense, to construct upon the Additional Land an Aircraft MRO building and improvements (the "Additional Facilities") pursuant to plans and specifications approved in advance by the City in writing, such approval not to be unreasonably withheld, conditioned or delayed. Such Additional Facilities shall be substantially the same as the Facilities constructed upon the Land pursuant to this Agreement. The Additional Land Lease shall obligate the Company to substantially commence actual construction of the Additional Facilities within six (6) months after the effective date of the Additional Land Lease, to thereafter continuously and diligently prosecute such construction to completion, and to complete the Additional Facilities in substantial compliance with the City-approved plans and specifications, and to obtain a Certificate of Occupancy for the Additional Facilities, within eighteen (18) months after the effective date of the Additional Land Lease. The Company shall cause the Additional Facilities to be designed and constructed in a good and workmanlike manner in accordance with all applicable laws, building codes, ordinances, regulations and orders of any public authority bearing on the design and/or construction of the Additional Facilities. The City shall become the sole and absolute owner of the Additional Facilities upon the expiration or earlier termination of the Additional Land Lease. Notwithstanding the foregoing, in the event that sufficient grant funds are available from the State of Florida, Escambia County, Florida, and others to pay a majority of the costs of constructing the Additional Facilities, the City may elect, in its sole discretion, to construct the Additional Facilities and to retain ownership thereof.

(3) The Additional Land Lease shall provide that the Company shall pay Ground Rent (as determined pursuant to subsection (b) above) to the City commencing

upon the earlier of (i) the date of completion of the Additional Facilities and the issuance of a Certificate of Occupancy therefor, or (ii) the date that the Company actually occupies and begins doing business on or from the Additional Facilities, and continuing during the term of the Additional Land Lease. The Ground Rent shall be adjusted during the term of the Additional Land Lease in the same manner and upon the same terms and conditions as provided in Article 7 of this Agreement with respect to Ground Rent payable under this Agreement.

(4) The Additional Land Lease shall contain all other terms and condition of this Agreement, unless any such term or condition is contrary to or inconsistent with any provision of this Section 2.03 or unless such term or condition is manifestly not applicable to or appropriate for the Additional Land Lease.

The Company may waive in writing the option to lease granted by this Section 2.03 at any time during the Lease Term, and such option to lease shall irrevocably terminate upon the City's receipt of such written waiver.

If not sooner terminated pursuant to this Article 2, the option to lease granted by this Section 2.03 shall automatically terminate, without notice, at the end of the fifteenth (15th) Lease Year.

Notwithstanding any contrary or conflicting provision in this Section 2.03, in the event that the Company gives a Notice to Exercise and such Notice to Exercise is thereafter terminated, the Company shall be solely responsible and obligated to pay all reasonable out-of-pocket costs and expenses of the City related to any subsequent Notice to Exercise, including without limitation the entire cost of all appraisals obtained pursuant to paragraph (a) above and all reasonable out-of-pocket costs and expenses of the City related to seeking and obtaining any financial grants and incentives pursuant to paragraph (b) above.

Section 2.04 **RIGHT OF FIRST REFUSAL AND OPTION FEE**

In consideration of the right of first refusal and option granted in this Article 2, the Company shall pay the City the following amounts each year, payable in advance on or before first day of the applicable Lease Year:

(a) For each of the initial five (5) Lease Years: $0

(b) For each of the next five (5) Lease Years: an amount equal to twenty five percent (25.0%) of the annual Ground Rent per square foot of the Land in effect for each such Lease Year multiplied by the square footage of the Additional Land.

(c) For each of the next five (5) Lease Years: an amount equal to fifty percent (50.0%) of the annual Ground Rent per square foot of the Land in effect for each such Lease Year multiplied by the square footage of the Additional Land.

In the event that the Company fails to pay any of the foregoing amounts, as and when due, both the right of first refusal granted by Section 2.02 and the option to lease granted by Section 2.03 shall automatically terminate without notice.

Upon the termination of both the right of first refusal granted by Section 2.02 and the option to lease granted by Section 2.03, the Company's obligation to make any future payments under this Section 2.04 shall terminate.

END OF ARTICLE

ARTICLE 3. TERM

Section 3.01 **TERM**

The Company shall have the right to occupy and use the Leased Premises for a term beginning on the Date of Beneficial Occupancy and continuing for a period of thirty (30) years after the Date of Beneficial Occupancy, or, if the Date of Beneficial Occupancy is not the first day of a month, after the first day of the next month after the Date of Beneficial Occupancy (the "Lease Term").

Section 3.02 **COMPANY'S RIGHTS UPON EXPIRATION OR EARLIER TERMINATION OF LEASE**

Upon expiration of the Lease Term or earlier termination of this Lease, all of the Company's rights, authority, and privileges to use the Leased Premises, services, facilities and property of the Airport as granted herein shall cease without notice to the Company except as expressly required by this Lease.

Section 3.03 **SURRENDER OF LEASED PREMISES**

Upon expiration of the Lease Term or earlier termination of this Lease, the Company shall surrender the Leased Premises to the City in the same condition as on the Date of Beneficial Occupancy, except for reasonable wear and tear that could not have been prevented through routine or preventive maintenance and except for an event of a casualty or a condemnation as set forth in Article 23.

Except as otherwise provided in this Article 3, all equipment, trade fixtures, and other personal property installed or placed by the Company, at its sole expense, in the Leased Premises that can be removed without structural damage to the Leased Premises or any other City-owned property shall remain the property of the Company unless otherwise provided in subsequent agreements between the Company and the City. The Company shall have the right at any time during the Lease Term and prior to its expiration or earlier termination of this Lease to remove any and all of said property from the Leased Premises provided that at the time of removal there exists no Event of Default hereunder or any event or state of facts which with the giving of notice or lapse of time, or both, would constitute an Event of Default. The Company agrees to repair or pay for all damages, if any, resulting from such removal. All City property damaged by or as a result of removal of the Company's property by the Company shall be restored at the Company's expense to substantially the same condition as, or better condition than, it was prior to such damage.

Any and all property not removed by the Company within thirty (30) days after expiration of the Lease Term or, if this Lease ends by early termination, within 30 days following receipt by the Company of a written notice from the Airport Director to remove such property, shall thereupon become a part of the land upon which it is located and title thereto shall vest with the City. The City reserves the right to remove and dispose of any or all of such property not so removed by the Company, without

any liability or obligation to the Company, and if such removal is accomplished by the City within the 60-day period following expiration of the Lease Term or the 60-day period following receipt by the Company of written notice to remove such property after earlier termination of this Lease, as the case may be, such removal by the City shall be at the Company's expense, and the Company shall reimburse the City for such expenses promptly upon demand. During the time that any such property of the Company remains on the Leased Premises and until the expiration of such 60-day period or the removal of such property, whichever first occurs, the Company shall continue to pay rent on such space for the Leased Premises at the rental rate in effect on the expiration of the Lease Term or earlier termination of this Lease, as the case may be.

The provisions of this Section 3.03 shall survive the expiration of the Lease Term or earlier termination of this Lease, as the case may be, and shall be fully enforceable by the City against the Company notwithstanding the termination of this Lease.

END OF ARTICLE

ARTICLE 4. PROJECT CONSTRUCTION; ENVIRONMENTAL ASSESSMENT

Section 4.01 **CITY TO CONTRACT WITH PROFESSIONAL FOR PROJECT DESIGN AND MANAGEMENT**

The City shall enter into the contract with the Design Professionals to design the Project and/or perform other design professional services related to the Project. The City shall also enter into the contract with the Program Manager for the management of the Project. The City shall consult with the Company regarding the selection of the Design Professionals and Program Manager and shall give due consideration to the Company's comments concerning Design Professionals or Program Manager. The Company shall have an opportunity to review and comment on the terms and conditions of the contracts between the City and the Design Professionals and the City and the Program Manager.

Section 4.02 **CITY TO CONSTRUCT PROJECT**

Subject to the terms and conditions of this Lease, the City shall construct the Project, including the Facilities, pursuant to the final plans and specifications for the Project (the "Final Project Plans") and the final project schedule (the "Final Project Schedule") prepared in accordance with this Article and pursuant to a Construction Management Contract entered into by the City with the Construction Manager at Risk as provided in this Article.

The Parties have jointly developed and agreed upon preliminary plans for the Project that consist of automobile and aircraft ingress and egress to and from the Land, aircraft hangar (including offices, storage, shops, and employee support areas), aircraft apron areas, an aircraft wash rack, and automobile parking, all as described on Exhibit B (Preliminary Project Drawings), Exhibit C (Preliminary Project Description), Exhibit D (Preliminary Space Program) and Exhibit E (Preliminary Project Schedule) attached hereto and incorporated herein by reference (collectively, the "Preliminary Project Plans"). Based on the Preliminary Project Plans, the Project Cost is estimated by the Parties to be Thirty-Seven Million, Three-Hundred-Forty-Four Thousand, Three Hundred Dollars ($37,344,300) (the "Estimated Project Cost").

The Company acknowledges and agrees that the Preliminary Project Plans are generally adequate and sufficient for the Company's use and purposes intended; provided, however, the parties acknowledge and agree that the Preliminary Project Plans are in their initial stage of development and are subject to future modification and expansion based on the Company's use and purposes intended. The Company shall continue participating in the development of the Final Project Plans and Final Project

Schedule in accordance with this Article and understands the nature, cost, and funding of the Project to be constructed. Any change in the Project as described by the Preliminary Project Plans and, except as otherwise provided in this Article, any increase or decrease in the Estimated Project Cost, shall be subject to the prior written approval of both the City and the Company, such approval not to be unreasonably withheld, conditioned or delayed by either Party.

After consultation with the Company, the City shall select a Construction Manager at Risk and the City shall enter into a contract with the selected Construction Manager at Risk (the "Construction Management Contract") to construct the Project for a Guaranteed Maximum Price to be determined and agreed upon between the City and the Construction Manager at Risk after the Final Project Plans are 30% to 60% complete. The Company shall have an opportunity to review and comment on the terms and conditions of the Construction Management Contract.

The Design Professionals and City shall meet with the Company at appropriate stages of development of the design documents to discuss progress, content, format, options for architectural, structural, mechanical, electrical, and finish systems, and other options consistent with the Company's requirements for the Project. The Design Professionals, in collaboration with the selected Construction Manager at Risk, the Company, the City and the Program Manager, shall prepare the Final Project Plans suitable for permitting and construction of the Project and shall prepare the Final Project Schedule which, as agreed to by the City and the Construction Manager at Risk, shall become part of the Construction Management Contract. The City and the Company agree that the 100% complete Final Project Plans shall not include any change to the 30%-60% complete Final Project Plans upon which the Construction Manager at Risk's Guaranteed Maximum Price is based that causes or results in an increase or decrease in such Guaranteed Maximum Price, unless mutually agreed to by the City and the Company. Subject to the preceding sentence, the Final Project Plans shall be subject to the approval of both the City and the Company, such approval not to be unreasonably withheld, conditioned or delayed by either party. Further, each of the City and the Company shall at all times act in good faith and in a commercially reasonable manner in exercising such party's rights under this Section 4.02.

The Company's review, comment and/or approval of any design document is solely for the purpose of establishing the general compliance of the document with the requirements of the Company at each stage in the development of the design documents. The Company's review and approval of the design documents, including the Final Project Plans, shall not relieve the Design Professionals of responsibility for full compliance of same with applicable laws, regulations or codes.

The City agrees that the design and construction of the Project will be in accordance with all applicable laws, building codes, ordinances, regulations and orders of any public authority bearing on the design and/or construction of the Project.

The City's agreement with the Design Professionals shall contractually obligate them to design the Project in accordance with all applicable laws, building codes, ordinances, regulations and orders of any public authority bearing on the design of the Project. The agreement with the Construction Manager at Risk for the construction of the Project shall contractually obligate the Construction Manager at Risk to cause the Project to be constructed in a good and workmanlike manner and in substantial compliance with the design documents.

The Parties acknowledge that the Preliminary Project Schedule will evolve during the design process and that the Final Project Schedule may vary materially from the Preliminary Project Schedule. The Parties estimate that between 30% and 60% completion of the Final Plans, the Construction Manager at Risk will determine the Guaranteed Maximum Price for construction of the Project to which the Construction Manager at Risk is willing to commit. If the Guaranteed Maximum Price proposed by the Construction Manager at Risk does not exceed $37,344,300 (less that portion of the Project Costs, if any, not included in the scope of the Construction Management Contract), then this Lease shall continue in full force and effect.

In the event, however, that the Construction Manager at Risk is not willing to commit to constructing the Project for a Guaranteed Maximum Price not to exceed $37,344,300 (less that portion of the Project Costs, if any, not included in the scope of the Construction Management Contract), this Lease shall automatically terminate unless within thirty days after its receipt of written notice of the Guaranteed Maximum Price proposed by the Construction Manager at Risk, the Company notifies the City in writing that it desires to continue with the Lease and construction of the Project at the Guaranteed Maximum Price proposed by the Construction Manager at Risk and, within such thirty-day period, pays into the Escrow Account the amount by which (i) such Guaranteed Maximum Price exceeds (ii) ($37,344,300 less that portion of the Project Costs, if any, not included in the scope of the Construction Management Contract).

If the Company elects to move forward with construction of the Facilities in accordance with the preceding paragraph, then this Lease shall continue in full force and effect in accordance with its terms, and the City, in reliance upon the Company's election, will not terminate the Construction Management Contract but rather will proceed with construction of the Project pursuant to the Construction Management Contract. If the Company does not so elect to continue with this Lease and the construction of the Project then this Lease shall automatically terminate; provided that the parties' respective obligations to pay Project Cost under Article 5 shall survive such

termination with respect to all Project Cost obligations arising or incurred prior to or as a result of such termination.

Throughout the process of developing the plans and specifications for the Project and constructing the Project, the Parties shall collaborate in good faith with each other, the Design Professionals, the Construction Manager at Risk and the Program Manager in a Value-Engineering process with the mutual objective of reducing the Project Cost. To the extent that the final Project Cost is less than $37,344,300, then the amount by which the final Project Cost is less than $37,344,300 shall inure to the benefit of the Company except to the extent that (a) the savings are attributable to federal Airport Improvement Program (AIP) grant elements, or (b) the terms of the grants funding various elements of the Project would require the savings to reduce the amount of the grants.

Promptly upon completion of the Final Project Plans, the Parties shall amend this Lease to:

Delete Exhibit A and replace it with the current survey and legal description of the Land that will be labeled "Exhibit A – Final Land Description".

Delete Exhibit B and replace it with a listing of the final drawings and plans for the Project that will be labeled "Exhibit B - Final Project Drawings".

Delete Exhibit C and replace it with a listing of the final specifications for the Project that will be labeled "Exhibit C - Final Project Specifications".

Delete Exhibit D and replace it with the final Project space programs that will be labeled "Exhibit D - Final Project Space Program".

Delete Exhibit E and replace it with the final Project schedule that will be labeled "Exhibit E - Final Project Schedule".

The documents identified in such final Exhibits B through E shall constitute the "Final Project Plans".

The City shall either cause the Company to be a third party beneficiary of the warranty provisions in the City's contracts with the Design Professionals and the Construction Manager at Risk or, upon completion of construction of the Project, shall assign all such warranties to the Company. Notwithstanding any contrary provision in this Agreement, it is expressly understood and agreed that the City makes, and shall make, no warranties, express or implied, to the Company with respect to the design or construction of the Facilities, any and all such warranties being hereby expressly disclaimed.

Without limitation of any other rights or remedies of Company, if, within one year after the Date of Beneficial Occupancy any of the work at the Project is found to be not in accordance with the requirements of the Final Project Plans or the Lease, the Construction Manager at Risk's contract will provide that the Construction Manager at Risk will correct it promptly after receipt of written notice from the Company.

Section 4.03 **ASSIGNMENT OF GUARANTEES AND WARRANTEES**

On the Date of Beneficial Occupancy, the City will assign any guarantees and warrantees associated with the Facilities to the Company.

Section 4.04 **ENVIRONMENTAL ASSESSMENT**

The Project is subject to the National Environmental Policy Act (NEPA) requirement for an Environmental Assessment of the potential impacts that the Project may have on the environment, consisting of environmental, social, and economic aspects.

In compliance with NEPA, the City will initiate a Focused Environmental Assessment of the proposed Project on or about the date of execution of this Lease, the cost of which shall be included in the final Project Cost. The City's engineering consultant estimates that the Focused Environmental Assessment process will take approximately six (6) months to complete. The Parties recognize and agree that construction of the Project cannot begin until the Focused Environmental Assessment process is completed and the FAA has issued a "*Finding of No Significant Impact*".

The Parties acknowledge that the results of the NEPA Focused Environmental Assessment process and its results may materially and adversely affect any or all of the Final Project Plans, the Final Project Schedule, or the Project Cost. Additionally, the Parties acknowledge that the NEPA Focused Environmental Assessment process and its results may be challenged by third-parties and any such challenge also may result in material adverse impacts on any or all of the Final Project Plans, the Final Project Schedule, or the Project Cost. In the event of any such material adverse impacts resulting from the NEPA Focused Environmental Assessment process or its results, the Parties shall use their respective best efforts and cooperate in good faith to mitigate such material adverse impacts as expeditiously as reasonably practicable. In the event that despite the Parties' respective best efforts and good faith cooperation, the Parties are unable to mitigate such material adverse impacts to the reasonable satisfaction of each Party, then either Party may elect to terminate this Lease giving written notice of termination to the other Party within sixty (60) days after the terminating Party obtained actual knowledge of such material adverse impacts.

END OF ARTICLE

ARTICLE 5. PAYMENT OF PROJECT FINANCIAL RESPONSIBILITIES

The Project Cost shall be funded and paid by a series of grants from the agencies listed below as well as by the Company Financial Commitment as set forth below.

Section 5.01 **GRANT FUNDS**

The City anticipates that Thirty Million One Hundred Thousand Dollars ($30,100,000) shall be available from the following sources (the "Grant Funds") to be used to pay the Project Cost:

(a) Eleven Million Six Hundred Thousand Dollars ($11,600,000) from the Florida Department of Transportation;

(b) Seven Million Dollars ($7,000,000) from the Industry Recruitment, Retention, and Expansion Fund (IRREF);

(c) Three Million Five Hundred Thousand Dollars ($3,500,000) from the federal AIP; and

(d) Eight Million Dollars ($8,000,000) from Escambia County, Florida (from Escambia County, Florida and the City).

Section 5.02 **COMPANY FINANCIAL COMMITMENT**

The Company's share of the Project Cost (the "Company Financial Commitment") shall be Seven Million Two Hundred Forty Four Thousand Three Hundred Dollars ($7,244,300) or such greater amount as the Company may agree in writing pursuant to Article 4 above, plus the amount by which the IRREF grant funds (Section 5.01(b) above actually received by the City are less than Seven Million Dollars ($7,000,000).

Section 5.03 **COMPANY FINANCIAL COMMITMENT ESCROW**

Within ten (10) days of this Agreement being fully executed, the Company shall place the Company Financial Commitment funds into an escrow account ("Escrow Account") held by a financial institution having offices in the State of Florida selected by the Company and approved by the City, such approval not to be unreasonably withheld, conditioned or delayed ("Escrow Agent"). The City, the Escrow Agent and the Company shall enter into a standard-form escrow agreement providing that the funds held in the Escrow Account are to be released to the City by the Escrow Agent in accordance with Section 5.04 below.

In the event that this Lease is terminated at any time prior to the Date of Beneficial Occupancy of the Facilities (except by reason of an Event of Default), the

funds remaining in the Escrow Account, after the payment of Project Cost pursuant to Section 5.04 below, shall be released to the Company by the Escrow Agent.

Section 5.04 **APPLICATION FUNDS TO PAY INITIAL PROJECT COST**

Project Cost shall be paid equally from (1) the City and (2) the Escrow Account established and funded pursuant to Section 5.03 above. Notwithstanding the foregoing, up until the point in time that the Guaranteed Maximum Pricehas been established, the Company's obligation to pay Project Cost shall be capped at $1,000,000, and the City's obligation to pay Project Cost shall be capped at $1,000,000. In the event that the Guaranteed Maximum Price has not been established within forty-five (45) days after the point in time when the City and the Company have each paid $1,000,000 of the Project Cost, then (i) either party may terminate this Agreement by giving written notice of termination to the other party, or (ii) the City and the Company may, if each party so desires in its discretion, mutually agree in writing to increase such spending caps in order to establish the Guaranteed Maximum Price.

Section 5.05 **COMPANY COOPERATION TO OBTAIN GRANTS**

The Company shall cooperate with the City in good faith, and shall use its best efforts to assist the City, to obtain commitments for and payment of the full amounts of the Grant Funds. Without limiting the generality of the foregoing, the Company shall promptly apply for and diligently do all things necessary to obtain the IRREF grant listed in Section 5.01(b). In the Industry Recruitment, Retention and Expansion Fund Grant Agreement, the Company shall designate the City as the designee for the payment of grant proceeds, on a reimbursement basis, to pay Project Cost.

Section 5.06 **USE OF GRANT FUNDS AND COMPANY FINANCIAL COMMITMENT**

The City shall use the Grant Funds and the Company Financial Commitment to pay the Project Cost and for cash management in accordance with Section 5.04.

Section 5.07 **COMMITMENT CONTINGENT UPON GRANT FUNDS**

The City's commitments and obligations described in this Lease are contingent upon the execution of the grants shown in section 5.01 above that are not yet irrevocability obligated to the Project. The grant agreements with the Florida Department of Transportation and Escambia County, Florida, are fully executed and thus are irrevocably obligated to the Project. The City is filing a grant application with the FAA for Federal Fiscal Year 2015 AIP grant funds identified in Section 5.01(c) above. The Company is contracting for the IRREF funds identified in Section 5.01(b) above. If the grants identified in Sections 5.01 (b) and 5.01(c) , in the amounts shown, are not actually committed to the Project by the grantors, the Company may fund the grant(s)

shortfall itself or find another funding source; provided that the Company shall be obligated to fund any IRREF grant shortfall as provided in Section 5.02.

If the Company elects not to fund the grant shortfall (other than any IRREF grant shortfall, which the Company is obligated to fund under Section 5.02) and there is no other available funding source, the City and the Company shall cooperate with each other in good faith to reduce the scope of the Project so that grant amounts, together with the Company Financial Commitment, are adequate to pay the total Project Cost. In the event that despite the Parties' respective good faith cooperation, the Parties are unable to agree upon a reasonably acceptable reduction in the scope of the Project, then either Party may elect to terminate this Lease by give written notice of termination to the other Party.

END OF ARTICLE

ARTICLE 6. USE OF LEASED PREMISES

Section 6.01 **USE OF LEASED PREMISES ONLY FOR AIRCRAFT MRO SERVICES**

The Company shall use and suffer or permit the use of the Leased Premises only for providing Aircraft MRO services and related ancillary services and ancillary services and for no other use or purpose whatsoever except with the City's prior written consent, which consent may be given or withheld in the City's sole and absolute discretion.

Without limiting the generality of the foregoing, the Company shall not use or suffer or permit the use of the Leased Premises for the storage or sale of fuel. The Company acknowledges and agrees that in the event that the City, in its sole and absolute discretion, should hereafter consent to the sale and/or storage of fuel on or from the Leased Premises, the Company must fully satisfy and comply with all of the conditions for such use set forth in the Airport's Minimum Standards for Fixed Base Operators, in addition to all other applicable laws, rules, regulations and Airport Rules and Regulations.

Section 6.02 **INGRESS AND EGRESS**

Subject to the other provisions of this Lease and Airport Rules and Regulations, the following privileges of ingress and egress are hereby granted:

(a) For the Company, its agents, employees, and contractors: access to the Leased Premises on and over the public areas of the Airport. This right extends to the Company's vehicles, machinery, and equipment used in its Aircraft MRO business.

(b) For the Company's guests and invitees: access to areas leased to Company and to areas provided for the use of the public. This privilege shall extend to vehicles of employees, guests, and invitees.

(c) For Company's suppliers of material and furnishers of service, access to public areas of the Airport into areas and facilities leased exclusively to the Company and areas and facilities provided for common use. This privilege extends the vehicles, machinery, or equipment of such suppliers and furnishers of services used in their business of furnishing supplies and services to the Company

The privileges of ingress and egress provided for above shall not be used by, enjoyed by, or extended to any person or vehicle engaging in any activity or performing any act or furnishing any service to, for or on behalf of the Company that the Company is not authorized to engage in or perform under the provisions hereof unless expressly authorized in writing by the Airport Director.

Section 6.03 **RESTRICTIONS**

In connection with the exercise of Company's rights under this Lease, Company or any of its agents, employees, directors, officers, contractors, invitees, licensees, or representatives shall not:

Do anything that may interfere with the effectiveness or accessibility of the drainage and sewage system, electrical system, air conditioning system, fire protection system, sprinkler system, alarm system, fire hydrants and hoses, if any, installed or located on or within the premises of the Airport.

Knowingly do anything that may invalidate or conflict with any fire or other casualty insurance policies covering the Airport or any part thereof.

Keep or store, at any time, flammable or combustible liquids except in storage facilities especially constructed for such purposes in accordance with federal, State, and City laws, including the Uniform Fire Code and the Uniform Building Code. For purposes of this Agreement, flammable or combustible liquids shall have the same definitions as set forth in the Uniform Fire Code, as that Code may be amended from time to time.

(a) Do anything that may be in conflict with 14 CFR Part 139 Airport Certification as that regulation may be amended from time to time, or jeopardize the operating certificate of the Airport.

(b) Do anything that may be in conflict with 49 CFR Part 1542 Airport Security or the TSA-approved security plan for the Airport.

(c) Engage in non-aircraft MRO business activities not specifically permitted in this Lease.

Section 6.04 **REMOVAL OF DISABLED AIRCRAFT**

Except as otherwise agreed to by the Airport Director, the Company shall promptly remove any disabled aircraft that is in the care, custody, or control of the Company from any part of the Airport (other than the Leased Premises), including, without limitation, runways, taxiways, aprons, and gate positions, and place any such disabled aircraft in the Leased Premises or, in the sole discretion of the Airport Director, in such storage areas as may be designated by the Airport Director. Except aircraft subject to bailment or for which the Company is owed money from a customer, the Company may store such disabled aircraft only for such length of time and on such terms and conditions as may be established by the Airport Director.

If the Company fails to remove any disabled aircraft promptly, as required hereunder, the Airport Director may, but shall not be obligated to, cause the removal of such disabled aircraft, provided, however, that the removal or store of such disabled aircraft shall not be inconsistent with federal laws and regulations and the Company agrees to reimburse the City for all reasonable costs of such removal, and the Company further hereby releases the City from any and all reasonable claims for damage to the disabled aircraft or otherwise arising from or in any way connected with such removal or storage by the City.

Section 6.05 **APPROACH SURVEILLANCE RADAR AND AIRSPACE COMMUNICATIONS**

The Company shall not undertake or permit to exist or continue any activities or improvements on the Leased Premises that interfere with the Airport's Approach Surveillance Radar or the Airport's airspace communications. Exhibit H to this Lease is the FAA airspace determination letter and the FAA approved Airport Layout Plan that documents that the contemplated Facilities will not interfere with the FAA Approach Surveillance Radar or the Airport's airspace communications.[1]

The parties' respective obligations under this Lease are contingent upon a determination by the FAA that the proposed Facilities will not interfere with the Airport's Approach Surveillance Radar system, the Airport's airspace communications system or any other aspect of Airport operations within FAA jurisdiction. In the event that the such determination is not made prior to March 1, 2015, or in the event that the FAA determines that the proposed Facilities may interfere with the Airport's Approach Surveillance Radar system, airspace communications system or other aspects of Airport operations within FAA jurisdiction and that modifications to the proposed Facilities, the Airport, the Approach Surveillance Radar system, the airspace communications system or such other aspect of Airport operations, as the case may be, reasonably satisfactory to both parties cannot be made to remediate such interference, then either party may terminate this Lease within thirty (30) days thereafter by giving the other party written notice of termination, whereupon neither party shall have any further liability or obligation to the other under this Lease; provide, however, that the parties' respective obligations to pay Project Cost under Article 5 shall survive such termination with respect to all Project Cost obligations arising or incurred prior to or as a result of such termination.

END OF ARTICLE

[1] If Exhibit H is not available at the time of execution of this Lease, the parties agree to add the FAA airspace determination letter and the FAA approved Airport Layout Plan as Exhibit H when they become available.

ARTICLE 7. RENTS, FEES, & CHARGES

In consideration for use of the Leased Premises, facilities, rights, and privileges granted hereunder and for the undertakings of City, except as specifically provided for herein, the Company agrees to pay the City, without notice, deduction or set-off, certain rents, fees, and other charges as set forth herein, as from time to time recalculated according to the procedures described below.

Section 7.01 **GROUND RENT**

The initial annual ground rent (the "Ground Rent") payable by the Company to the City shall be an amount equal to Thirty Cents ($0.30) per square foot (the "Ground Rent Rate") multiplied by the number of square feet, calculated to the nearest one-hundredth of a square foot, in the Land. The Land is estimated to be approximately 18.66 acres or approximately 812,829.60 square feet, resulting in initial estimated annual Ground Rent of $243,848.88. The actual initial Ground Rent shall be calculated at the Ground Rent Rate multiplied by the square footage of the Land as shown on the current survey of the Land to be attached hereto as Exhibit A – Final Land Description.

Section 7.02 **GROUND RENT PAYMENT**

Except as specifically provided for herein, the annual Ground Rent shall be paid by the Company to the City without invoicing, notice, demand or set-off, in equal monthly installments payable in advance on or before the first day of each calendar month, beginning on the Rent Commencement Date and continuing through the remainder of the Lease Term. In the event that the Rent Commencement Date is a day other than the first day of a calendar month, then, and in such event, the Ground Rent payable for the month in which the Rent Commencement Date occurs shall be prorated based on the actual number of days elapsing between and including the Rent Commencement Date and the last day of such month.

Section 7.03 **GROUND RENT RECALCULATION**

The annual Ground Rent for each Lease Year shall be increased over the annual Ground Rent for the immediately preceding Lease Year in direct proportion to the percentage increase, if any, in the "CPI" (as hereinafter defined) for the most recent month that is more than thirty (30) days prior to the commencement of such new Lease Year for which the CPI has been published (the "New CPI") over the CPI for the same month one year earlier (the "Base CPI"). The Ground Rent for the immediately preceding Lease Year shall be multiplied by a fraction, the numerator of which shall be the New CPI and the denominator of which shall be the Base CPI. The product of such multiplication shall be the new annual Ground Rent for the new Lease Year and the City shall notify the Company of the revised annual Ground Rent at least fifteen (15) days prior to the commencement of the new Lease Year. In no event, however, shall the annual Ground Rent for any Lease Year be less than the annual Ground Rent for the immediately preceding Lease Year, nor shall the annual Ground Rent for any Lease

Year be more than two percent (2%) greater than the annual Ground Rent for the immediately preceding Lease Year. As used herein, "CPI" shall mean the Consumer Price Index for All Urban Consumers (CPI-U), U.S. City Average, All Items, not seasonally adjusted, 1982-84 = 100 reference base, published by the Bureau of Labor Statistics of the United States Department of Labor. If the Bureau of Labor Statistics of the United States Department of Labor ceases publishing the CPI or materially changes the method of its computation, components, base year, consumers whose experiences are included therein or other features thereof, a comparable index published by a governmental agency, responsible financial periodical, trade association or educational institution selected by the City, in its sole discretion, shall be substituted for the CPI and used in making the computations required herein.

Notwithstanding the foregoing, however, the Ground Rent payable for the eleventh (11th) Lease Year shall be determined as follows: Within sixty (60) days prior to the end of the tenth (10th) Lease Year, the City shall engage an MAI Appraiser to determine the Fair Market Rent for the Land (exclusive of improvements) as of the end of the tenth (10th) Lease Year, such Fair Market Rent to be determined in accordance with sound appraisal practices on the basis of, to the extent possible, the terms and conditions of leases and leased premises comparable to this Lease and the Land in size, length of term, other terms and conditions (including without limitation apportionment of property taxes, insurance and other expenses between lessor and lessee) and in other material respects then being entered into in the relevant market area as determined by the MAI Appraiser, with appropriate adjustments to account for relevant and material differences. The Fair Market Rent as so determined shall be the new annual Ground Rent commencing on the first day of the eleventh (11th) Lease Year and continuing until further adjustment in accordance with this Article; provided, however, that the rent adjustment as the result of such determination shall not exceed two percent (2.0%) of the initial Ground Rent under this Lease compounded annually from the Rent Commencement Date through the tenth (10th) Lease Year. The City shall notify the Company of such revised Ground Rent at least fifteen (15) days prior to the first day of the eleventh (11th) Lease Year.

Notwithstanding the foregoing however, the Ground Rent payable for the twenty first (21st) Lease Year shall be determined as follows: Within sixty (60) days prior to the end of the twentieth (20th) Lease Year, the City shall engage an MAI Appraiser to determine the Fair Market Rent for the Land (exclusive of improvements) as of the end of the twentieth (20th) Lease Year, such Fair Market Rent to be determined in accordance with sound appraisal practices on the basis of, to the extent possible, the terms and conditions of leases and leased premises comparable to this Lease and the Land in size, length of term, other terms and conditions (including without limitation apportionment of property taxes, insurance and other expenses between lessor and lessee) and in other material respects then being entered into in the relevant market area as determined by the MAI Appraiser, with appropriate adjustments to account for

relevant and material differences. The Fair Market Rent as so determined shall be the new annual Ground Rent commencing on the first day of the twenty first (21st) Lease Year and continuing until further adjustment in accordance with this Article; provided, however, that the rent adjustment as the result of such determination shall not exceed two percent (2.0%) of the initial Ground Rent under this Lease compounded annually from the Rent Commencement Date through the twentieth (20th) Lease Year. The City shall notify the Company of such revised Ground Rent at least fifteen (15) days prior to the first day of the twenty first (21st) Lease Year.

Section 7.04 **REVIEW APPRAISAL**

Should the Company disagree with the City's appraisal, the Company may select, at its own cost and expense, a MAI Appraiser to perform an appraisal to determine the Fair Market Rent. The two appraisers shall jointly select a third MAI Appraiser who shall review the work of each appraiser. In the event the two MAI Appraisers cannot agree upon the selection of the third qualified MAI Appraiser, then the parties shall petition an arbitrator for the appointment of a third qualified MAI Appraiser.

The review appraiser shall evaluate each report in all respects, with the validity and reasonableness of the final valuation conclusion being the principal focal point.

The review appraiser should attempt to reconcile any variances between different appraisals. However, the review appraiser is not the appraiser and should not substitute his or her judgment for that of an appraiser. The review appraiser should secure necessary corrective material from an appraiser prior to the final recommendation of the Fair Market Rent rate.

The review appraiser shall make a recommendation of a single value and not a range of values. The review appraiser shall not derive a value different from the appraisals by using separate parts of the individual appraisals, nor shall the review appraiser average the appraisal conclusions. The review appraiser must approve the Fair Market Rent from one of the appraisals only.

The review appraiser's determination of the Fair Market Rent shall be final, binding and non-appealable upon the parties. Each party shall bear the costs incurred by their own appraisers, and each shall bear one-half (1/2) the fees of the third party appraiser, and one-half (1/2) the arbitrator’s fees incurred if an arbitrator is engaged.

Section 7.05 **LATE FEE.**

If any payment of Ground Rent and applicable sales tax is not received by the City in good funds on or before its due date, the Company shall pay the City a late charge of five percent (5%) of the amount due.

Section 7.06 **FEES AND CHARGES**

Fees and charges for miscellaneous items and services, including, but not limited to current and future taxes, fees, assessments, employee badges, landing fees and other airfield uses for the Company's customers not having an airfield use permit or agreement with the City, parking charges for areas other than the Leased Premises, and airfield drivers' licenses and security classes, will be assessed by the City in connection with the ordinary use of Airport facilities, provided that such fees and charges shall be equally applicable to all similarly situated parties.

Section 7.07 **PAYMENTS**

The payment of all rental, fees, and charges that become due and payable by the Company shall be made to the City of Pensacola without the City invoicing the Company. Payments shall be mailed or delivered to Office of the Airport Director, Pensacola International Airport, 2430 Airport Boulevard, Suite 225, Pensacola, Florida 32504 unless the Company is notified otherwise in writing. The City reserves the right to require that payment be made by wire transfer. All rentals, fees, and other charges unpaid for ten (10) days after their due date shall bear interest at the rate of eighteen percent (18%) per annum, or the maximum rate allowed by law, whichever is less, from the date the payment was originally due until paid.

Notwithstanding the foregoing, in the event that the Company objects, in good faith, to a portion of any invoice presented by the City, the Company shall within ten (10) days of its due date notify the City of its objection to a portion of the amount due (disputed amount). The Company must pay the undisputed portion of the invoice in a timely manner or interest shall accrue on the late payment of the undisputed amount.

With regard to the disputed amount of any invoice, the parties shall have period of thirty (30) days to work together, in good faith, to resolve issues or concerns for the disputed amount of invoice. If the parties are not able to resolve any disagreement within said period of time, the matter shall be subject to the provisions of Section 26.34 hereof. If the Company has objected, in good faith, within ten (10) days of the due date as outlined above, no interest shall accrue on the late payment.

END OF ARTICLE

ARTICLE 8. LETTER OF CREDIT

The Company shall deliver to the Airport Director, on or before the date of execution of this Lease by the City, and shall keep in force throughout the Lease Term, an irrevocable standby letter of credit in favor of the City issued by a bank or financial institution satisfactory to the City in its sole and absolute discretion. The beneficiary of such letter of credit shall be the City of Pensacola, Pensacola International Airport, and such letter of credit shall be in a form and content satisfactory to the City in its sole and absolute discretion.

Without limiting the generality of the foregoing, the initial term of such letter of credit shall be for three (3) years and such letter of credit shall contain an "evergreen" provision whereby such letter of credit automatically renews for an additional three-year term upon the expiration of the prior term unless the issuer gives the City written notice of its intent not to renew such letter of credit at least ninety (90) days prior to its expiration date. Further, such letter of credit shall be payable in full upon the issuer's receipt of written certification by the City that there exists an uncured Event of Default under this Lease by the Company or that the issuer has given the City notice of non-renewal of the letter of credit and the Company has failed to deliver to the City a replacement letter of credit complying with the requirements of the Lease within thirty (30) days after the date of such non-renewal notice.

The amount of such letter of credit shall at times during the Lease Term be the total annual Ground Rent in effect from time to time. The Company shall cause such letter of credit to be amended from time to time as necessary, so that such letter of credit shall, at all times, comply with the preceding sentence.

END OF ARTICLE

ARTICLE 9. JOB CREATION

Section 9.01 **MINIMUM JOBS LEVEL**

The Company shall use its best efforts to create and maintain 300 new full time equivalent "Jobs" as defined in Section 9.02 during the term of this Lease. During the initial ten (10) year period of this Lease, hereinafter referred to as the "Measurement Period", the Company shall create a "Minimum Jobs Level" of 2,100 Job man-years (300 Jobs X 7 years). A Job man-year is defined as 2,080 man-hours worked. During the first quarter following the end of the Measurement Period, a reconciliation of actual Job man-years to the Minimum Jobs Level will be conducted by the City. If the Company has not met the Minimum Jobs Level, it shall pay the City, as Additional Rent, Two Thousand Two Hundred Eighty Six Dollars ($2,286.00) multiplied by the difference between the Minimum Jobs Level of 2,100 Job man-years and the actual number of Job man-years achieved at the Leased Premises during the Measurement Period. In the event that the reconciliation results in the requirement for a payment of Additional Rent, the Additional Rent payment shall be due and payable within 30 days after the City provides notice to the Company of the reconciliation and amount of Additional Rent owed by the Company. This obligation of the Company to pay any such Additional Rent shall survive the termination of this Agreement.

If during the Measurement Period there occurs (i) a United States recession as determined by the National Bureau of Economic Research (NBER) or (ii) significant damage to Facilities (more than fifty (50%) destroyed) due to one or more Force Majeure events (as defined in Section 26.09) that materially and adversely affect the Company's business and its ability to comply with the Minimum Jobs Level, the Company may exercise a one-time election to extend the Measurement Period by twenty-four (24) months. Such election must be communicated to the City within thirty (30) days after the occurrence of the Force Majeure event and approved by the City in writing.

The Company must annually provide documentation to the City regarding its compliance with the Minimum Jobs Level in a manner consistent with the Criteria for Measurement of Achievement of New Full-Time Equivalent Jobs contained in the IRREF Grant Agreement to be executed between the Company and the University of West Florida. Further, within thirty (30) days following the end of each Lease Year, the Company shall provide the Airport Director a Jobs Report showing in detail the number of Jobs at the Leased Premises for each month during such Lease Year. The Jobs Report shall be in sufficient detail to evidence Job levels and the compensation associated with each Job. The Jobs Report shall list, by worker identification number assigned by the Company, the number of hours each worker worked during the reporting period and the total wages and other compensation paid each worker during

such reporting period, exclusive of benefits, and shall include such additional Job reporting information as initially required by the IRREF grant agreement referenced in Section 5.01(b) above. The City shall have the right to audit Company records to validate the information presented in the Jobs Report.

Section 9.02 **JOB DEFINITIONS**

As used in this Agreement, the term "Jobs" shall mean "jobs" as defined in Section 288.106(2)(i), Florida Statutes, as in effect on the Effective Date, which pay the average wages or equivalent compensation required by Section 9.03. Further, the definitional terms in the University of West Florida Office of Economic Development & Engagement's Industry Recruitment, Retention, & Expansion Fund (IRREF) Grant Agreement, Exhibit D - Criteria for Measurement of Achievement of Terms for New Full-Time Equivalent Jobs, Average Annual Wage, a copy of which is attached as Exhibit "I" hereto, shall be used in determining the Company's compliance with this Article 9.

Section 9.03 **WAGES**

The Company shall pay average high head of household wages or equivalent compensation for the 300 full time equivalent Jobs required under Section 9.01. "High head of household wages" shall mean an average annual wage of at least $41,000, excluding benefits, for the Jobs. In no event will the Company pay less than the minimum wage for each Job, as required by federal and State of Florida statutes.

Section 9.04 **COMPLIANCE WITH IRREF GRANT**

In addition to complying with the provisions of this Article 9, the Company shall strictly comply with all obligations under the IRREF Grant (Section 5.01(b)), including all such obligations related to job creation.

Section 9.05 **TRAINING PROGRAMS**

The Company will work with Pensacola educational institutions to develop aircraft maintenance training programs. The purpose of the programs is to train local Pensacola area residents for employment in the aircraft repair and support services industry.
END OF ARTICLE

ARTICLE 10. INSURANCE AND INDEMNIFICATION

Section 10.01 **REQUIRED INSURANCE**

Prior to taking possession of the Leased Premises, the Company shall procure and maintain insurance of the types and to the limits specified herein.

As used in this Article of the Lease, "the City" is defined to mean the City of Pensacola itself, any subsidiaries or affiliates, elected and appointed officials, employees, volunteers, representatives, and agents.

The Company and the City understand and agree that the minimum limits of insurance herein required may become inadequate during the term of this Lease. The Company agrees that it will increase such coverage to commercially reasonable levels required by the City within ninety (90) days following the receipt of written notice from the Airport Director.

Insurance shall be procured from an insurer whose business reputation, financial stability, and claims payment reputation are satisfactory to the City in its good faith discretion, for the City's protection only. Unless otherwise agreed, the amounts, form, and type of insurance shall conform to the following minimum requirements:

Insurance Requirements				
Type				**Amount**
(1)	Worker's Compensation and Employer's Liability			Statutory $1,000,000/$1,000,000/$1,000,000
(2)	Broad Form Commercial General Liability Policy to include coverage for the following:			Combined Single Limit for Bodily Injury and Property Damage of $5,000,000 per occurrence or its equivalent with an aggregate of not less than $5,000,000
	(A)	Premises Operations		
	(B)	Independent Contractors		
	(C)	Products/Completed Operations		
	(D)	Personal Injury		
	(E)	Contractual Liability		
	(F)	Damage to Leased Premises		
	Property Insurance including flood insurance for physical damage to the property of the Company, including improvements and betterments to the Leased Premises			Coverage for replacement value of property
(3)	Property Insurance for physical damage to the Facilities, including improvements and betterments to the Leased Premises, resulting from fire, theft, vandalism, windstorm, flood (if and to the extent any of the Facilities are located in a federally-designated special flood hazard area), and other risks commonly insured against for similar airport improvements			Coverage for replacement value of Facilities
(4)	Automobile Liability (any automobile)			Combined Single Limit for Bodily Injury and Property Damage of $1,000,000 per occurrence or its equivalent in excess of umbrella coverage, $5,000,000 per occurrence or its equivalent in excess of umbrella coverage for vehicle(s) with access to the Air Operations Area.
(5)	Above Ground and/or Underground Storage Tank Liability (but only if such tanks exist at the Leased Premises)			$10,000,000 per claim
(6)	Airport Liability including coverage for premises, operations, products and completed operations and independent contractors, and including Hangar Keeper's Liability (including Aircraft Liability) Endorsement.			$10,000,000 per occurrence, Combined single limit, written on an occurrence form

(7)	Pollution Legal Liability for transporting or handling hazardous materials or regulated substances / Environmental Impairment Liability		$2,000,000 per occurrence, with an annual aggregate not less than $4,000,000

In addition, the Company will acquire and maintain Terrorism coverage (TRIA) to the extent it maintains TRIA coverage at its Mobile Aeroplex at Brookley, Mobile, Alabama operation.

Section 10.02 **CERTIFICATES OF INSURANCE**

Required insurance shall be documented in the Certificates of Insurance, which provide that the City of Pensacola shall be notified at least thirty (30) days in advance of cancellation, nonrenewal, or adverse change or restriction in coverage. The City shall be named on each Certificate as an Additional Insured and this Lease shall be listed. Certificates of Insurance shall be provided promptly upon the City's request from time to time, but in no event less than annually. Each such Certificate of Insurance shall be on the appropriate ACORD form or its equivalent as determined by the City. Any wording on a Certificate that would make notification to the City of cancellation, adverse change, or restriction in coverage an option shall be deleted or crossed out by the insurance carrier or the insurance carrier's agent or employee. In addition, upon any change in any insurance policy coverage or endorsement, the Company shall also deliver to the City revised Certificates of Insurance.

The Company shall replace any cancelled, adversely changed, restricted, or non-renewed policies with new policies that comply with Section 10.1 above and shall file with the City Certificates of Insurance and a copy of each new or modified endorsement regarding the new policies prior to the effective date of such cancellation, adverse change, or restriction. If any policy is not timely replaced, the Company shall, upon instructions from the City, cease all operations under the Lease until directed by the City, in writing, to resume operations. The "Certificate Holder" address should read: City of Pensacola, Department of Risk Management, Post Office Box 12910, Pensacola, FL 32521. An additional copy of the Certificate shall be sent to Pensacola International Airport, Attn: Manager of Properties, 2430 Airport Boulevard, Suite 225, Pensacola, FL 32504.

Section 10.03 **INSURANCE OF THE COMPANY PRIMARY**

The Company's required coverage shall be considered primary, and all other insurance shall be considered as excess, over and above the Company's coverage. The Company's policies of coverage will be considered primary as relates to all provisions of the Lease. Notwithstanding the primary coverage responsibility of the Company, the Company shall protect the indirect and direct interests of the City by at all times promptly complying with all terms and conditions of its insurance policies, including

without limitation timely and complete notification of claims. All written notices of property claims made to carriers that relate to the damage, impairment, or condition of the Leased Premises shall be copied to the City's Department of Risk Management at the following address: City of Pensacola, Department of Risk Management, Post Office Box 12910, Pensacola, FL 32521. An additional copy shall be sent to Pensacola International Airport, Attn: Manager of Properties, 2430 Airport Boulevard, Suite 225, Pensacola, FL 32504.

Section 10.04 **LOSS CONTROL AND SAFETY**

The Company shall retain control over its employees, agents, servants, subcontractors, and invitees, as well as its and their activities on and about the Leased Premises and the manner in which such activities shall be undertaken; to that end, the Company shall not be deemed to be an agent of the City. Precaution shall be exercised by the Company at all times regarding the protection of all persons, including employees, and property. The Company shall make special effort to detect hazards and shall take prompt action where loss control/safety measures should reasonably be expected.

Section 10.05 **ACCEPTABILITY OF INSURERS**

Insurance is to be placed with insurers that have a current A.M. Best rating of no less than A.

Section 10.06 **HOLD HARMLESS**

The Company shall hold indemnify, defend and harmless the City, its divisions, subsidiaries and affiliates, elected and appointed officials, employees, volunteers, representatives and agents from any and all claims, suits, actions, damages, liability and expenses in connection with loss of life, bodily or personal injury, or property damage, including loss or use thereof, directly or indirectly caused by, resulting from, arising out of or occurring in connection with the performance of this Agreement or on or about the Leased Premises, provided any such claim, suit, action, damage, liability or expense is caused in whole or in part by an act or omission of the Company, or the Company's subtenants, contractors, subcontractors, representatives, guests, invitees, agents or employees or the employees of any of the aforementioned individuals or entities. The Company's obligations shall not be limited by, or in any way to, any insurance coverage or by any provision in or exclusion or omission from any policy of insurance. Nothing contained herein shall obligate the Company to hold harmless the City for the intentional or negligent acts or omissions of the City or any of its employees, representatives or agents. Subject to the last paragraph of this Section and to Section 10.08 below, nothing in this Agreement shall limit or prohibit Company from pursuing any claim or cause of action under Section 768.28, Florida Statutes, or as otherwise available at law, common law or in equity against the City for all claims, suits, actions, damages, liability and expenses in connection with the loss of life, bodily or personal injury, or property damage, including loss of use thereof, directly or indirectly caused by, resulting from, arising out of, or occurring in connection with the City's performance of this Agreement, or on or about the Leased Premises, but only if and to the extent that such claim, suit, action, damage, liability or expense is caused by any negligent or intentional act or omission of the City or any of its employees,

representatives or agents. Further, nothing in this Lease shall limit or prohibit Company from pursuing any claim or cause of action against the City for breach of this Agreement or against any contractor or subcontractor of the City doing any work on or about the Leased Premises at the request of or under the direction of the City.

Nothing in this Section shall be deemed a change or modification in any manner whatsoever of the method or conditions of preserving, asserting, or enforcing any claim or legal liability against the City. This Section shall in no way be construed as a waiver, in whole or in part, of the City's sovereign immunity under the Constitution, statutes and case law of the State of Florida.

Section 10.07 **NON-LIABILITY OF THE CITY**

The City shall not, in any event, be liable to the Company or to any other person or entity for any acts or omissions of the Company, its successors, assigns or sublessees or for any condition resulting from the operations or activities of any such person or entity.

Without limiting the generality of the foregoing, the City shall not be liable for the Company's failure to perform any of the Company's obligations under this Lease or for any delay in the performance thereof, nor shall any such delay or failure be deemed a default by the City.

Section 10.08 **MUTUAL WAIVER OF CONSEQUENTIAL DAMAGES.**

Any other provision of this Lease to the contrary notwithstanding, in no event shall the City or the Company be liable to the other or to any other person for any special or consequential damages by reason of any breach or default by the City or the Company, as the case may be, under this Lease, including without limitation any loss of income or other loss or damages suffered by the City or the Company arising from the interruption or cessation of the business conducted by the City at the Airport or conducted by the Company under this Lease; provided, however, that the damages set forth in Section 20.02 shall not be considered special or consequential damages.

Section 10.09 **PAYMENT ON BEHALF OF THE CITY**

The Company agrees to pay on behalf of the City, and to provide a legal defense for the City, both of which will be done only if and when requested by the City, for all claims or other actions or items which are the Company's responsibility under Section 10.06, "Hold Harmless. Such payment on behalf of the City shall be in addition to any and all other legal remedies available to the City and shall not be considered to be the City's exclusive remedy.

END OF ARTICLE

ARTICLE 11. COMMON AIRCRAFT FACILITIES; INSPECTION OF FACILITIES

Section 11.01 **USE OF COMMON AIRCRAFT FACILITIES**

The City hereby grants to the Company, and, if and to the extent necessary in the ordinary course of the Company's business, to the Company's employees, customers, supplier and invitees, the following general, nonexclusive privileges, uses, and rights, subject to the Rules and Regulations and the terms, conditions, and covenants herein set forth:

(a) The general use by the Company of all common aircraft facilities and improvements, which are now, or may hereafter be, connected with or appurtenant to the Airport, except as hereinafter provided, subject to all applicable fees for these areas (provided that such fees are applicable to all tenants at the Airport). "Common Airport facilities" shall include all necessary landing area appurtenances, including, but not limited to, approach areas, runways, public taxiways, public ramps/public aprons, public roadways, public sidewalks, navigational and aviation aids, lighting facilities, terminal facilities, or other common or public facilities appurtenant to the Airport.

(b) The right of ingress to and egress from the Leased Premises, over and across public roadways serving the Airport for the Company, its agents, servants, patrons, invitees, suppliers of services, furnishers of materials, and permitted sublessees/sublicensees. Said right shall be subject to all laws, ordinances, Rules and Regulations, and Airport policies, as now or may hereafter apply at the Airport, provided that such laws, ordinances, Rules and Regulations, and Airport policies shall be applicable in a nondiscriminatory manner to all similarly situated parties.

Section 11.02 **COMPLIANCE**

The right to use said common Airport facilities, in common with others so authorized, shall be exercised subject to and in accordance with all laws (including without limitation all Environmental Laws), ordinances, Rules and Regulations, and Airport policies of the United States, the State of Florida, Escambia County, the City of Pensacola and the Airport. The rules and regulations promulgated by their authority with reference to aviation, navigation, security, and all reasonable and applicable rules, regulations, and ordinances of the City, now in force or hereafter prescribed or promulgated by charter authority or by law, provided that such laws Rules and Regulations, and ordinances, and Airport policies shall be applicable in a nondiscriminatory manner to all similarly situated parties.

Section 11.03 **INSPECTION OF FACILITIES AND IMPROVEMENTS**

The City reserves the right to enter the Leased Premises during normal business hours with prior notice to the Company, unless in the event of an emergency, for the purpose of inspecting same or verifying that Environmental Laws, Airport Rules and Regulations, fire, safety, and sanitation regulations, and other provisions contained in this Lease are being adhered to by the Company. During its presence in the Leased Premises, the City shall comply with all federal security requirements imposed on the Company unless in the case of an emergency, such as, but not limited to, flood, fire, or chemical spill, where human life or health may be threatened or endangered. During its presence in the Leased Premises, including in the event of an emergency, the City shall comply with all government security requirements and, to the extent reasonable and feasible, the published rules and regulations the Company concerning safety and security, and shall make reasonable efforts to avoid undue interference with the Company's operations. Provided that the Company receives prior notice of the City's entry into the Leased Premises, the Company shall use its best efforts to guide, direct, and inform the City's representative of conditions, situations, or actions that could or might result in loss, injury or damages.

END OF ARTICLE

ARTICLE 12. ACCEPTANCE AND CONDITION OF LEASED PREMISES

The parties agree that this Lease is granted by the City, at the Company's request, and that the Leased Premises shall be new and in pristine condition at the time of occupancy by the Company.

Prior to the Date of Beneficial Occupancy of the Leased Premises, the Company shall have an opportunity to inspect the Leased Premises. As between the City and the Company for the purposes of the parties' respective rights and obligations under this Lease, the Company's taking possession of the Leased Premises shall be considered the Company's acceptance thereof in new condition and the Company's agreement that the Leased Premises are suitable for the purposes for which they are being leased, subject to latent defects not reasonably discoverable by an inspection of the Leased Premises. It is expressly understood and agreed that nothing in the preceding sentence or elsewhere in this Article 12 shall be construed as a waiver of any claim by the Company or the City against any third party (including without limitation design professionals and the Construction Manager at Risk) related to the design or construction of the Facilities.

On the Date of Beneficial Occupancy, the Company will take possession and occupy the Leased Premises in accordance with the terms and subject to the conditions of this Lease.

The Company agrees that no representations regarding the condition of the Leased Premises and no promises to improve same, either before or after the execution hereof, have been made by the City or its agents to the Company, unless contained herein or made a part hereof by specific reference.

END OF ARTICLE

ARTICLE 13. CONSTRUCTION BY THE COMPANY

The Company shall not erect, alter, remodel, or renovate any building or other improvements on the Leased Premises without the prior written approval of the City, which approval may be given or withheld in the City's reasonable discretion.

In the event that the Company desires to alter, remodel or renovate the Facilities, or construct improvements on the Leased Premises, it shall submit to the Airport Director plans and specifications prepared by registered architects and engineers setting forth the renovations, construction, alterations, or improvements that the Company desires to implement in sufficient detail for the City to determine whether or not the proposed improvements are in the best interest of the Airport, and such other detail as may be required by the Airport Director. The Company shall reimburse the City upon demand for its reasonable out of pocket expenses incurred by the City to review and act upon the Company's request, which expenses may include without limitation the fees and expenses of architects, engineers, attorneys and other professionals

The City agrees to examine and approve or disapprove plans and specifications submitted in accordance with the provisions above within thirty (30) days after receipt thereof and to give the Company written notification of same. The City, by giving its approval, assumes no liability or responsibility therefor or for any defects in such plans and specifications or for any defects in any work performed according to such plans and specifications. The Company shall not initiate any renovations, construction, alterations, or improvements until the City, through the Airport Director, has given written approval of the Company's plans and specifications.

Further, prior to the initiation of construction, the Company shall procure any and all additional approvals of the plans and specifications for its buildings and improvements required by any federal, State of Florida, water management district, county or municipal authorities, agencies, officers, and departments having jurisdiction thereof, and shall obtain any and all requisite building and construction licenses, permits, or approvals. The Company shall be solely responsible for paying the costs of obtaining all approvals for its improvements.

The Company shall insure that all construction shall be performed by appropriately licensed contractors and shall comply with applicable building code requirements and with applicable regulations promulgated by any federal, State of Florida, water management district, county, or municipal agency or department having jurisdiction thereof. Further, all work and improvements shall be performed and constructed in a good and workmanlike manner with high quality, new materials.

The Company specifically agrees that it shall release, indemnify, defend, and hold the City harmless from and against any and all claims, causes of action and

liabilities, whether actual or potential, associated with any construction undertaken by the Company.

The cost of all such renovations, construction, alterations, or improvements upon the Leased Premises shall be borne and paid for solely by the Company unless otherwise provided for herein. Except as may be otherwise set forth herein, the City shall have no financial or other obligation of any kind under this Lease, other than the renting to the Company of the Leased Premises that are the subject hereof for the term and consideration hereinbefore set forth.

Upon completion of all renovations, construction, alterations, or improvements, a conformed set of "as built" plans and specifications, certified by the appropriate design professional(s) and a Certificate of Occupancy, if required, shall be provided by the Company to the Airport Director.

Unless otherwise agreed to in a written instrument signed by the Parties at the time that plans for any renovations, construction, alterations, or improvements are approved by the City, such renovations, construction, alterations, or improvements constructed by the Company at the Leased Premises (except the installation of removable trade fixtures by the Company) shall, immediately upon such construction thereof, become and remain the property of the City and part of the Leased Premises and shall remain at the Leased Premises upon the expiration of the Lease Term or early termination of this Lease.

END OF ARTICLE

ARTICLE 14. LIENS PROHIBITED

No person or entity performing or providing labor, work, services or materials to or upon the Leased Premises by, through or at the request of the Company shall be entitled to claim or assert any lien against the Leased Premises or any portion thereof. The Company shall not suffer or permit any mechanics' or other liens to be filed against the fee of the Leased Premises, or against the Company's leasehold interest in the land, buildings, or improvements thereon, by reason of any work, labor, services or materials supplied or claimed to have been supplied, to the Company or to anyone holding the Leased Premises, or any part thereof, through or under the Company.

If any such construction lien shall be recorded against the Leased Premises or any portion thereof, the Company shall immediately cause the same to be removed or bonded against in accordance with applicable law.

END OF ARTICLE

ARTICLE 15. MAINTENANCE AND REPAIR

Section 15.01 **TRIPLE NET LEASE**

This Lease constitutes a triple net lease of the Leased Premises and, notwithstanding any language herein to the contrary, it is intended and the Company expressly covenants and agrees that all rent and other payments herein required to be paid by the Company to the City shall be absolutely net payments to the City, meaning that, during the Lease Term, the City is not and shall not be required to expend any money or do any acts or take any steps affecting or with respect to the use, occupancy, operation, maintenance, preservation, repair, restoration, protection or insuring of the Leased Premises, or any part thereof, except as otherwise expressly provided in this Lease.

Section 15.02 **COMPANY RESPONSIBILITIES**

From the Date of Beneficial Occupancy, the Company shall, throughout the term of this Lease, be solely and entirely responsible for all costs and expenses for, related to or arising out of the use, operation, repair, maintenance and replacement of the Leased Premises, all buildings and improvements thereon and all components thereof, whether such repair, maintenance or replacement be ordinary, extraordinary, structural, or otherwise. The Company shall also:

(a) At all times perform commercially reasonably routine maintenance and preventive maintenance of the Leased Premises, all buildings and improvements thereon and all components thereof and maintain all of the foregoing in a good and clean condition, repair and preservation, excepting ordinary wear and tear;

(b) Replace or substitute any fixtures, equipment and components that have become worn out with replacement or substitute fixtures, equipment and components, free of all liens and encumbrances, that shall automatically become a part of the buildings and improvements;

(c) At all times keep the Leased Premises' grounds and exterior of the Leased Premises, its buildings and improvements, fixtures, landscaping, equipment, and personal property in a maintained, clean, and orderly condition and appearance, excepting ordinary wear and tear;

(d) Provide, and maintain in good working order, all obstruction lights and similar devices, fire protection and safety equipment, and all other equipment of every kind and nature required by applicable laws, rules, orders, ordinances, resolutions, or regulations of any competent authority, including the City and the Airport Director, provided that such rules, regulations, and ordinances shall be applicable in a non-discriminatory manner to all similarly situated parties;

(e) Observe all insurance regulations and requirements concerning the use and condition of the Leased Premises for the purpose of reducing fire hazards and increasing the safety of the Company's operations on the Airport;

(f) Repair any damage to paving or other surfaces of the Leased Premises or the Airport caused by the Company, in connection with the scope of the Lease, as the result of any oil, gasoline, grease, lubricants, flammable liquids, or substances having a corrosive or detrimental effect thereon, or for any other reason whatsoever;

(g) The Company shall at all times comply with the Airport's Storm Water Pollution Prevention Plan and Spill Prevention, Control, and Countermeasure plan and take measures to prevent erosion, including, but not limited to, the planting and replanting of grass on all unpaved or undeveloped portions of the Leased Premises; the planting, maintaining, and replanting of any landscaped areas; the designing and constructing of improvements on the Leased Premises; and the preservation of as many trees as possible, consistent with the Company's construction and operations;

(h) Be responsible for the maintenance and repair of all utility services lines upon and serving the Leased Premises, including, but not limited to, water and gas lines, electrical power and telephone conduits and lines, sanitary sewers, and storm sewers;

(i) Keep and maintain all vehicles and equipment operated on the Airport by the Company in safe condition, good repair, and insured, as required by this Lease;

(j) Replace broken or cracked plate glass, paint/repaint structures upon the Leased Premises, and, where applicable, mow the grass, and keep landscaped areas weeded; and

(k) Provide and use suitable covered metal receptacles for all garbage, trash, and other refuse; assure that boxes, cartons, barrels, or similar items are not piled in an unsightly, unsafe manner on or about the Leased Premises; provide a complete and proper arrangement, satisfactory to the Airport Director, for the adequate sanitary handling and disposal away from the Airport, of all trash, garbage, and refuse resulting from operation of the Company's business.

Section 15.03 **QUARTERLY CONDITION SURVEYS**

The City's Airport Properties Manager, together with a representative of the Company may, at the City's option, inspect the Leased Premises quarterly to observe and note its condition, cleanliness, and existing damage and to determine repairs and maintenance required pursuant to the terms of this Lease, provided that such inspections do not materially interfere with the Company's use of the Leased Premises. Neither the City's inspection of the Leased Premises nor the City's failure to inspect the Leased Premises shall relieve the Company of any of its obligations under this Lease or applicable law.

Section 15.04 **ADEQUACY OF COMPANY'S MAINTENANCE PERFORMANCE**

Should the Company refuse or neglect to undertake any maintenance, repair or replacements required pursuant to the terms of this Lease following written notice and no less than a thirty (30) day cure period, or if the City is required to perform any maintenance or repair necessitated by the negligent acts or omissions of the Company, its employees, agents, assignees, sublessees, subtenants, or licensees following written notice and no less than a 30 day cure period, and provided that the Company has not commenced to cure and is not diligently and continuously pursuing same, then the City shall have the right, but not the obligation, to perform such maintenance, repair or replacement on behalf of and for the Company. The costs of such maintenance, repair or replacement, plus fifteen (15.0%) percent for administration, shall be reimbursed by the Company to the City no later than 30 days following receipt by the Company of written demand from the City for same. In cases not involving maintenance, repair or replacement requiring exigent action, the City shall provide the Company a written request that the Company perform such maintenance or repair, at least 30 days before the City effects such maintenance or repair on behalf of the Company.

Section 15.05 **ANNUAL MAINTENANCE AND REPAIR REPORT**

Each January 15th during the term of this Lease, the Company shall provide a report on the prior year's maintenance and repair of the Leased Premises. The report shall include a breakdown of the costs incurred by the Company in maintaining and repairing the Facilities. Each year, the Airport Director, or other designated employee, may, at the City's option, present the Company with a suggested maintenance and repair program for the next twelve (12) months, but in such case the Company shall only be required to provide such maintenance and repairs as required hereunder.

Section 15.06 **UTILITIES LINES**

As a part of the Project Cost, utility lines (water, sewer, electric, and gas) necessary to serve the Leased Premises will be provided by the Project.

Section 15.07 **UTILITIES CONSUMPTION**

The Company shall, at no cost to the City, arrange for all utilities necessary to serve the Leased Premises and promptly pay when due all the utilities costs incurred with respect to the Leased Premises. The Company shall pay or cause to be paid any and all charges for water, heat, gas, electricity, sewer, and any and all other utilities used on the Leased Premises throughout the term hereof, including, but not limited to, any connection fees and any and all additional third party costs related to utility connection, metering, maintenance, repair, and usage.

Section 15.08 **UTILITIES SUPPLY OR CHARACTER**

The City shall not be liable in any way to the Company for any failure or defect in the supply or character of electrical energy, gas, water, sewer, or other utility service furnished to the Leased Premises by reason of any requirement, act, or omission of the public utility providing such service or for any other reason. The City shall have the right to shut down electrical or other utility services to the Leased Premises when necessitated by safety, repairs, alterations, connections, upgrades, relocations, or reconnections or for any other reason with respect to any such utility system regardless of whether the need for such utility work arises with respect to the Leased Premises or any other facility at the Airport. Whenever possible, the City shall give the Company not less than two (2) days prior notice of any such utility shutdown. The City shall not be liable to the Company for any losses, including the loss of income or business interruption, resulting from any interruptions or failure in the supply of any utility to the Leased Premises.

END OF ARTICLE

ARTICLE 16. TITLE TO IMPROVEMENTS AND PERSONAL PROPERTY

Section 16.01 **TITLE TO FACILITIES**

It is understood and agreed that the Facilities are and shall remain the property of the City during the Lease Term and upon the expiration of the Lease Term or earlier termination of this Lease, subject to the Company's option to purchase set forth below in this Article.

Section 16.02 **TITLE TO PERSONAL PROPERTY**

It is expressly understood and agreed that any and all items of personal property owned, placed, or maintained by the Company on the Leased Premises during the term hereof shall be and remain the Company's property. Provided that there does not then exist an uncured Event of Default or any event or state of facts which with the giving of notice or the lapse of time, or both, would constitute an Event of Default, the Company may remove or cause to be removed all such items from the Leased Premises at any time prior to thirty (30) days after the expiration of the Lease Term or earlier termination of the Lease. At the City's sole election, any such items remaining on the Leased Premises more than thirty (30) days after the expiration of the Lease Term or earlier termination of the Lease shall then belong to the City without payment of consideration therefor.

Section 16.03 **IMPROVEMENTS**

Unless otherwise provided in this Lease, all foundations, buildings, alterations, additions, or improvements, except removable trade fixtures (hereinafter referred to as "Improvements") made upon the Leased Premises by the Company shall be the property of the City during the Lease Term and upon the expiration of the Lease Term or earlier termination of this Lease. Any attempted conveyance, transfer, or assignment of Improvements by the Company to any person or entity, whether voluntary, by operation of law, or otherwise, shall be void and of no effect.

Notwithstanding the foregoing, the City may, in its discretion, require the Company to remove any or all of such Improvements upon expiration of the Lease Term or earlier termination of this Lease, in which event within in thirty (30) days after written notice from the City, the Company shall remove such Improvements at the Company's sole cost and risk, in compliance with all applicable laws and regulations and, to the degree reasonably possible, shall restore the Leased Premises to the condition that existed prior to the construction of same. Further, and in any event, should the Company fail to undertake such removal within ninety (90) days following the Company's unequivocal surrender of occupancy of the Leased Premises, the City may undertake such removal and dispose of such Improvements, all at the Company's

expense, and the Company shall promptly reimburse the City upon demand for all removal and disposal costs incurred by the City.

Section 16.04 **FACILITIES PURCHASE OPTION**

At the end of the thirtieth Lease Year, the Company will have the option to purchase the Facilities; provided, however, that the Company will not have the option to purchase any land or any portion of the Facilities funded with AIP grant proceeds. The purchase price for the Facilities will be the Fair Market Value of the Facilities, exclusive of the Land, determined by a MAI Appraiser based upon the condition of the Facilities as required to be maintained by the Company pursuant to Article 15 above ; provided that in consideration of the Company's payment of a portion of the Project Costs pursuant to Section 5.02 above, such purchase price shall be reduced by the proportion that the amount of Company funds actually paid pursuant to Section 5.02 bears to the total Project Cost.

To exercise the purchase option, (a) there may then exist no uncured Event of Default nor any event or state of facts which with the giving of notice or the lapse of time, or both, would constitute an Event of Default, (b) there is no intervening superseding Airport development requirement relating to the Land, (c) there exists no documented environmental incompatibility with surrounding off Airport land uses and neighbors, and (d) the Company shall enter into a new ground lease with a revised Fair Market Rent for the Land, said ground lease to be for a commercially reasonable term determined at the time based upon the purchase price for the Facilities payable by the Company pursuant to this Section 16.04 and other relevant factors, subject to any restrictions imposed by applicable state and federal statutes, rules and regulations then in effect (including without limitation FAA regulations, federal or state grant restrictions or requirements, and Section 332.08(1)(c), Florida Statutes) and to contain other provisions comparable to those in this Lease. In addition, the new ground lease will contain a provision providing the City with an option at the expiration of the lease term, to require the Company to either (a) sell the Facilities to the City at a Fair Market Value price, or (b) remove the Facilities, at the Company's expense, from the Land and return the Land to its original condition as of the Effective Date of this Lease.

At least one hundred eighty (180) days prior to the expiration of the Lease Term, the Company will give the City notice of its intent to purchase the Facilities (excluding Land). If the City does not receive the Company's notice of its intent to purchase the Facilities at least one hundred eighty (180) days prior to the expiration of the Lease Term, the Company's Facilities Purchase Option automatically terminates one hundred eighty (180) days prior to the expiration of the Lease Term.

If the Company elects to exercise its Facility Purchase Option, the City upon receipt of notice from Company will engage an MAI Appraiser and have the Facilities appraised to determine their fair market value and to determine the Fair Market Rent.

Upon completion of the appraisal, the City will then provide the Company with a copy of the MAI Appraisers Report documenting the fair market value, a draft Facilities purchase contract, a draft lease, and an invoice for the fair market value minus the Company Financial Commitment pursuant to Article 4 above. The parties may then finalize the Facilities purchase contract and the subsequent lease.

The Company shall have a period of twenty (20) days to send the City written notice of its (a) acceptance of the MAI Appraiser's Report, (b) objection to the MAI Appraiser's Report and notice of its desire to obtain its own appraisal pursuant to the provisions of the following paragraph, or (c) objection to the MAI Appraiser's report and notice that it terminates its option to purchase the Facilities. If the Company fails to respond to the City within the twenty (20) day period, the Company shall be deemed to terminate its option.

Should the Company choose option (b) above, the Company shall then select, at its own cost and expense, an MAI Appraiser to perform an appraisal to determine the fair market value of the Facilities (purchase price) and the Fair Market Rent (Ground Rent) based on the same criteria used by the City's MAI Appraiser. Following the completion of the appraisal by the Company's MAI Appraisal, the two appraisers shall jointly select a third MAI Appraiser who shall review the work of each appraiser. In the event the two MAI Appraisers cannot agree upon the selection of the third qualified MAI Appraiser, then the parties shall petition an arbitrator for the appointment of a third qualified MAI Appraiser. The review appraiser shall evaluate each report in all respects, with the validity and reasonableness of the final valuation conclusion being the principal focal point. The review appraiser should attempt to reconcile any variances between the different appraisals. However, the review appraiser is not the appraiser and should not substitute his or her judgment for that of an appraiser. The review appraiser should secure necessary corrective material from an appraiser prior to the final recommendation. The review appraiser shall make a recommendation of a single value for the Facilities (purchase price) and for the Fair Market Rent (Ground Rent) and not a range of values. The review appraiser shall not derive a value different from the appraisals by using separate parts of the individual appraisals, nor shall the review appraiser average the appraisal conclusions. The review appraiser must approve the fair market value of the Faculties (purchase price) and the Fair Market Rent (Ground Rent) from one of the appraisals only. The review appraiser's determination shall be final, binding and non-appealable upon the parties. Upon the determination by the third appraiser, the Company shall have a period of twenty (20) days to notify the City of its (a) acceptance of the appraisal report and agreement to purchase the Facilities and to negotiate in good faith a new lease agreement with the City containing similar terms as this Lease agreement with the new annual Ground Rent being the amount set forth in such report, or (b) objection to the MAI Appraiser's report and notice that it terminates its option to purchase the Facilities. If the Company fails to respond to the City within

the twenty (20) day period, the Company shall be deemed to terminate its option to purchase the Facilities.

Each party shall bear the costs incurred by their own appraisers, and each shall bear one-half (1/2) the fees of the third party appraiser, and one-half (1/2) the arbitrator's fees incurred if an arbitrator is engaged.

The Facilities Purchase Option automatically terminates if the following have not occurred prior to the expiration of the Lease Term: (1) the new lease has been fully executed (2) the Facilities purchase contract has been fully executed, and (3) the City has received payment of the invoice for the Facilities described above. The parties agree to act in good faith in negotiating and finalizing the Facilities purchase contract and new ground lease.

END OF ARTICLE

ARTICLE 17. ENVIRONMENTAL COMPLIANCE

Section 17.01 **ENVIRONMENTAL LAWS**

The Company shall, at all times, abide by all Environmental Laws applicable to, concerning, or arising from the Company's actions or inactions resulting directly or indirectly from its occupancy, use, or lease of the Leased Premises, including, without limitation, state and federal laws regulating storm water runoff contamination and pollution prevention, numeric nutrient criteria requirements, state and federal laws regulating soil, water, and groundwater quality, and state and federal laws regulating air quality. At the beginning of any lease term, the Company shall identify in writing to the Airport Director and its Fire Department all Hazardous Substances that are or may be used in the course of its occupation of the Leased Premises. This list shall be updated by Company in March of each year and include quantities of materials stored on the Leased Premises. The City shall have the right to inspect the Leased Premises at any reasonable time to ensure compliance with Environmental Laws and the provisions of this Article 16.

The Company shall comply with the Airport's Spill Prevention, Control, and Countermeasure plan and Storm Water Pollution Prevention Plan and all amendments thereto irrespective of whether it has its own Spill Prevention, Control, and Countermeasure plan or Storm Water Pollution Prevention Plan.

The Company shall not, directly or indirectly, allow the disposal or discharge of Hazardous Substances on the Leased Premises or other Airport Complex property.

Section 17.02 **BASELINE ENVIRONMENTAL CONDITIONS STUDIES**

Prior to each initial occupation of the Leased Premises or any portion thereof by the Company or any assignee of this Lease or any sublessee of any portion of the Leased Premises, and immediately following each vacating, abandonment or surrender of the Leased Premises or any portion thereof by the Company or any such assignee or sublessee, the City and the Company, at the Company's sole cost and expense, shall cause to be completed a baseline environmental conditions study of the Leased Premises or pertinent portion thereof by a licensed professional retained by the City The Company shall pay or reimburse to the City the cost of each such baseline environmental conditions study promptly upon demand and shall release, indemnify, defend, and hold the City harmless with respect thereto in accordance with Article 10 of this Lease. The pre- and post- baseline environmental conditions studies shall be prepared as follows:

(a) OCCUPANCY BY THE COMPANY

The City, at the Company's sole cost and expense, shall cause a baseline environmental conditions study of the Leased Premises to be completed by a licensed professional agreed to by both parties at least thirty (30) days prior to the Date of Beneficial Occupancy. The Company shall have fifteen (15) days after receipt of the completed study to review and comment on the completed study. Completion of the study and final acceptance of the study by the City shall be a condition of precedent to the Company's occupying the Leased Premises.

(b) ASSIGNMENT

At least sixty (60) days prior to any assignment of this Lease or any portion thereof pursuant to the provisions of Article 22, the Company shall notify the City of its intent to assign. The City, at the Company's sole cost and expense, shall cause a baseline environmental conditions study of the Leased Premises (or that portion to be assigned, if it is a partial assignment) to be completed at least thirty (30) days prior to assignment of the Lease. The Company shall have fifteen (15) days after receipt of the completed study to review and comment on the completed study. Completion of the study and final acceptance of the study by the City shall be a condition of approval of any assignment. All assignments must contain all of the Environmental Compliance requirements of this Article 17, shall not permit any further assignment or sublease of this Lease, and shall include a provision stating that the provisions of this Article shall survive the termination of any assignment.

(c) SUBLEASE

At least sixty (60) days prior to any sublease of the Leased Premises or any portion thereof pursuant to the provisions of Article 22, the Company shall notify the City of its intent to sublet. The City, at the Company's sole cost and expense, shall cause a baseline environmental conditions study of the Leased Premises (or that portion to be subleased, if it is a partial sublease) to be completed at least thirty (30) days prior to any sublease. The Company shall have fifteen (15) days to review and comment on the completed study. Completion of the study and final acceptance of the study by the City shall be a condition of approval of any sublease. All subleases must contain all of the Environmental Compliance requirements of this Article 17, shall not permit any further assignment or sublease of this Lease, and shall include a provision stating that the provisions of this Article shall survive the termination of any sublease.

(d) VACATING, ABANDONMENT OR SURRENDER

Within thirty (30) days after notice that the Company, an assignee or a sublessee has vacated, abandoned or surrendered the Leased Premises or any portion thereof, the City, at the Company's sole cost and expense, shall cause to be completed a baseline environmental conditions study of the Leased Premises, or that portion of the Leased Premises which has been vacated, abandoned or surrendered. The Company or its

sublessee or assignee shall have fifteen (15) days to review and comment on the completed study.

Section 17.03 **REMEDIATION OF ENVIRONMENTAL CONDITIONS**

In the event any baseline environmental conditions study that is conducted following the vacating, abandonment or surrender of the Leased Premises or any portion thereof by the Company, an assignee or a sublessee identifies an environmental condition that was not identified by a prior baseline environmental conditions study and that requires assessment or remediation, the City shall perform such assessment or remediation at the Company's sole cost and expense, and the Company shall pay or reimburse to the City the reasonable cost of such assessment or remediation promptly upon demand and shall release, indemnify, defend, and hold the City harmless in accordance with Article 10 and shall comply with all other terms of this Lease.

Section 17.04 **ENVIRONMENTAL REPORTS**

The Company promptly shall provide to the Airport Director, on an ongoing basis and as updates are required, copies of all Company environmental permits and reports related to the Leased Premises, as well as any notices, orders, decrees, citations, or inspection reports issued by environmental regulatory authorities.

Section 17.05 **SURVIVAL OF OBLIGATIONS**

The obligations of this Article 17 shall survive the expiration, termination, sublease, or assignment of this Lease.

END OF ARTICLE

ARTICLE 18. SUBORDINATION OF LEASE AND RIGHT OF RECAPTURE

Section 18.01 **SUBORDINATION TO AGREEMENTS WITH THE UNITED STATES**

This Lease shall be subordinate to the provisions of any existing or future agreement between the City and the United States of America regarding operation or maintenance of the Airport, the execution of which has been or may be required as a condition precedent to the receipt and expenditure of federal funds for development of the Airport. Should the effect of such agreement with the United States be the taking of a material portion of the Leased Premises, or a substantial alteration or destruction of the commercial value of the leasehold interest granted herein, the City shall not be held liable therefor but, in such event, the Company may cancel this Lease upon one-hundred twenty (120) days' written notice to the City. Notwithstanding the foregoing, the City agrees that, in the event it becomes aware of any such proposed or pending agreement or taking, the City shall endeavor in good faith to give the reasonable notice thereof to the Company and make reasonable efforts to minimize the adverse consequences to the Company.

Section 18.02 **SUBORDINATION TO THE CITY'S BOND RESOLUTION**

This Lease shall be subject and subordinate to the provisions of the City's Airport Revenue Bond Resolution Number 59-88 (as amended and supplemented) as it is today and as it may be amended from time to time in the future.

Section 18.03 **RECAPTURE FOR AIRPORT DEVELOPMENT**

The City shall have the right to recapture any or all of the Leased Premises to the extent that such are necessary for the City's development, improvement, or maintenance of the Airport's runways and taxiways, for protection or enhancement of flight operations, or for other development in compliance with any current or future Airport Master Plan. In the event of any such recapture, the Company and the City shall execute a document reflecting a corresponding adjustment to the Leased Premises and Ground Rent.

END OF ARTICLE

ARTICLE 19. SECURITY

Section 19.01 **GENERAL**

The Company shall comply with all rules, regulations, statutes, orders, directives or other mandates of the United States, the State of Florida, Escambia County and the City of Pensacola as they relate to Airport security requirements. The Company understands that the Airport is required to maintain an Airport Security Plan in compliance with Title 49 CFR Part 1542 and the Company shall comply with the Airport's security plan as it now exists or as it may be amended in the future and as it applies to the Company, its leased premises or its operations or activities on the Airport, and shall take such steps as may be necessary or as directed by the City to ensure that employees, invitees, agents and guests observe these requirements.

Section 19.02 **AIRPORT ACCESS LICENSE/PERMIT**

The City reserves the right to establish a licensing or permit procedure for vehicles requiring access to the AOA and to levy directly against the Company or its suppliers a reasonable regulatory or administrative charge (to recover the cost of any such program) for issuance of such Airport access license or permit.

Section 19.03 **INDEMNITY FOR FINES AND PENALTIES**

The Company understands and agrees that it shall fully indemnify, defend, and hold harmless the City, its elected representatives, officers, agents, volunteers, and employees from and against all penalties, fines, or demands of any kind (including, but not limited to, costs of investigation, attorney fees, court costs, and expert fees) arising out of the Company's acts or omissions resulting in alleged violations of any rule, regulation, statute, order, directive or other mandate of the United States, the State of Florida, Escambia County or the City of Pensacola, and also Title 49 CFR Part 1542, "Airport Security," or any successor regulations related to Airport security.

END OF ARTICLE

ARTICLE 20. EVENTS OF DEFAULT; REMEDIES; TERMINATION

Section 20.01 **COMPANY EVENTS OF DEFAULT**

The occurrence of any one or more of the following events (each such event being referred to in this Lease as an "Event of Default") shall constitute a material default and breach of this Lease by the Company:

(a) The Company fails to make any payment of Ground Rent, Additional Rent under Section 9.01 above, or any other monetary payment required to be made by the Company hereunder, as and when due;

(b) The Company fails to observe or perform any covenant, condition or provision of this Lease to be observed or performed by the Company, other than as described in subparagraph (a) above or subparagraphs (e), (f), or (g) below, and such failure shall continue for a period of thirty (30) days after written notice thereof by the City to the Company; provided, however, that if the nature of such failure is such that more than thirty (30) days are reasonably required for its remedy or cure, then such 30-day period shall be extended for up to ninety (90) additional days provided that the Company begins such remedy or cure within such 30-day period and thereafter diligently and continuously prosecutes such remedy or cure to completion within such additional 90-day period; or

(c) The Company files a voluntary petition in bankruptcy or any petition or answer seeking or acquiescing in any reorganization, rehabilitation, arrangement, composition, readjustment, liquidation, dissolution or other relief under any present or future federal, state or other statute, law or regulation relating to bankruptcy, insolvency or other relief for debtors; or an order for relief is entered in an involuntary bankruptcy case filed against the Company; or the Company seeks or consents to or acquiesces in the appointment of any trustee, custodian, receiver or liquidator of itself or of all or any part of its assets or any interest therein; or the Company shall make a general assignment for the benefit of its creditors; or the Company commits any act providing grounds for the entry of an order for relief under any chapter of the federal bankruptcy code; or

(d) A petition or case is filed against the Company seeking any reorganization, rehabilitation, arrangement, composition, readjustment, liquidation, dissolution or other relief under any present or future federal, state or other statute, law or regulation relating to bankruptcy, insolvency or other relief for debtors, or the appointment of any trustee, custodian, receiver or liquidator of the Company or of all or any part of its assets or any interest therein, and such petition, case or appointment is not dismissed within sixty (60) days after such filing or appointment; or

(e) The Company fails to comply with the Airport's Spill Prevention, Control, and Countermeasure Plan or Storm Water Pollution Prevention Plan and all amendments thereto; or

(f) The Company abandons or ceases the conduct of its Aircraft MRO business at the Airport, it being agreed that suspension or discontinuance of all or substantially all of Aircraft MRO operations on the Leased Premises for a period of one hundred eighty (180) days shall conclusively be deemed abandonment of the Company's Aircraft MRO business at the Airport; or

(g) The Company, its assignees, sublessees, contractors or subcontractors, employs or contracts with, for work or services performed on or from the Leased Premises, any unauthorized alien as described by Section 274(e) of the federal Immigration and Nationalization Act.

Section 20.02 **REMEDIES.**

Upon the occurrence of any Event of Default, the City may at any time thereafter, with or without notice or demand (except as expressly specified in Section 20.01 above or elsewhere in this Lease):

(a) Terminate the Company's right to possession of the Leased Premises by any lawful means, in which case this Lease shall terminate and the Company shall immediately surrender possession of the Leased Premises to the City. In such event the City shall be entitled to recover from the Company all direct damages incurred by the City by reason of the Company's default, including but not limited to the cost of recovering possession of the Leased Premises; reasonable expenses of re-letting, including necessary repairs, renovation and/or alteration of the Leased Premises that are part of the Company's obligations set forth in Section 15.02 above, reasonable attorney's fees and any real estate commission actually paid; and the worth at the time of award by the court having jurisdiction thereof of (i) the amount of unpaid rent (including without limitation Ground Rent and any Additional Rent due under Section 9.01) and other amounts which were due and payable by the Company under the terms of this Agreement at the time of termination, (ii) (A) if the Event of Default occurs prior to the commencement of the eighth Lease Year, the amount by which the unpaid rent (including without limitation Ground Rent and increases in the annual Ground Rent at the rate of two percent (2%) per Lease Year) and other amounts which would have been due and payable by the Company under the terms of this Agreement after the time of termination during the balance of the first ten (10) Lease Years exceeds the amount of such rental and other loss for the same period that the Company proves could be reasonably avoided, or (B) if the Event of Default occurs on or after the commencement of the eighth Lease Year, the amount by which the unpaid rent (including without limitation increases in the annual Ground Rent at the rate of two percent (2%) per Lease

Year) and other amounts which would have become due and payable by the Company under the terms of this Agreement after the time of termination during the balance of the time period from the occurrence of the Event of Default through the last day of the second full Lease Year thereafter, exceeds the amount of such rental and other loss for the same period that the Company proves could be reasonably avoided; and (iii), if and to the extent not recovered by the City under the preceding clauses, an amount to compensate the City for any failure by the Company to achieve the Minimum Jobs Level during the Measurement Period pursuant to Article 9 equal to $2,286 multiplied by the excess, if any, of the Minimum Jobs Level (i.e., 2,100 Job man-years) over the actual Job man-years achieved at the Leased Premises during the Measurement Period prior to the time of termination, less such portion thereof as the Company proves could be reasonably avoided. The worth at the time of award of the sums referred to hereinabove shall be computed by discounting such amount at a reasonable discount rate based on all relevant circumstances existing at the time of the Event of Default. In the event of termination or repossession of the Leased Premises for an Event of Default, the City shall use reasonable efforts to relet the Leased Premises and mitigate its damages.

(b) Without terminating this Lease, enter and repossess the Leased Premises, remove the Company's property and signs therefrom, and re-let the same for such rent and upon such terms as shall be satisfactory to the City without such re-entry and repossession working a forfeiture of the Ground Rent, Additional Rent and other charges to be paid and the covenants to be performed by the Company during the remaining Lease Term. For the purpose of such re-letting, the City shall be entitled to make any repairs, changes, alterations or additions in or to the Leased Premises that may be necessary or convenient, and the City shall be entitled to recover from the Company the cost of such repairs, changes, alterations and additions; the expenses of such re-letting; and the difference in value between the rent which would be payable by Lessee hereunder for the remainder of the Lease Term and the value of the rent to be realized from such re-letting.

As used in this Section 20.02 and Section 20.03 below, "rent" shall include Ground Rent, Additional Rent under Article 9, ad valorem property taxes on the Leased Premises and any other amounts under this Lease that are required to be paid by the Company to the City.

Section 20.03 **RIGHTS AND REMEDIES OF THE CITY CUMULATIVE**

The rights and remedies set forth in Section 20.02 shall be the City's sole rights and remedies for the recovery of rent due and to become due and owing by the Company by reason of an Event of Default, but otherwise shall not be deemed to limit or exclude any other rights or remedies granted by the express terms of this Agreement

or any equitable rights or remedies, including without limitation injunctive relief, otherwise existing or arising by reason of any Event of Default. Subject to the foregoing, all rights and remedies of the City herein created or otherwise existing or arising under this Agreement, at law or in equity by reason of any Event of Default are cumulative, and the exercise of one or more rights or remedies shall not operate to exclude or waive the right to the exercise of any other. All such rights and remedies may be exercised and enforced concurrently, whenever and as often as deemed desirable. Further, failure by the City to take any authorized action upon the occurrence of an Event of Default shall not be construed to be or act as a waiver of said Event of Default or of any subsequent Event of Default. The City's acceptance of Ground Rent, Additional Rent or other charges or payments by the Company for any period or periods after the occurrence of an Event of Default shall not be deemed a waiver of such Event of Default or a waiver of or estoppel to enforce any right or remedy on the part of the City arising or existing by reason of such Event of Default.

Section 20.04 **TERMINATION BY THE COMPANY WITHOUT CAUSE**

In addition to any other termination rights hereunder and so long as there then exists no Event of Default and no event or state of facts which with the giving of notice or the lapse of time, or both, would constitute an Event of Default, the Company may terminate this Lease without cause and thereby terminate all of its rights and unaccrued obligations under this Lease by giving the City written notice of termination at any time during or after the eighth (8th) Lease Year. Upon the giving of such written notice of termination, this Lease shall terminate as of the termination date specified in such written notice; provided that such termination date shall be not less than two (2) years after the date such notice is given and provided further that on or before such termination date the Company shall pay and perform all obligations to be paid or performed by the Company under this Lease up to and including such termination date.

SECTION 20.05 **TERMINATION BY THE CITY WITHOUT CAUSE**

In addition to any other termination rights hereunder, the City may terminate this Lease without cause by giving the Company written notice of termination at any time during or after the eighteenth (18th) Lease Year. Upon the giving of such written notice of termination, this Lease shall terminate as of the termination date specified in such written notice; provided that such termination date shall be not less than two (2) years after the date such notice is given.

END OF ARTICLE

ARTICLE 21. HOLDING OVER

It is agreed and understood that any holding over by the Company, with the City's consent, after the termination of this Lease, shall not serve to renew and extend same, but shall operate and be construed as a tenancy from month-to-month, subject to all terms and conditions of this Lease, except that monthly rent during such holdover period shall be equal to the sum of the Ground Rent paid for the last month of the Lease Term plus building rent for the building and improvements on the Leased Premises owned by the City as reasonably determined by the Airport Director.

Should the Company hold over against the City's will, the Company agrees to pay to the City, as monthly rent during such period of holding over, for such Leased Premises for each month until the Company completely vacates the Leased Premises, one hundred and fifty percent (150%) of the Ground Rent paid for the last month of the Lease term plus building rent for the building and improvements on the Leased Premises owned by the City calculated on the rental rate per square foot then being paid by the airlines for terminal building space in the Airport, plus all applicable fees, including, but not limited to, any other fees authorized by this Lease or authorized by ordinance.

The Company shall be liable to the City for all loss or damage resulting from such holding over against the City's will after the termination of this Lease, whether such loss or damage may be contemplated at this time or not. It is expressly agreed that acceptance of the foregoing rental by the City, in the event that the Company fails or refuses to surrender possession, shall not serve to grant the Company any right to remain in possession beyond the period for which such amount has been paid nor shall it constitute a waiver by the City of its right to immediate possession thereafter.

END OF ARTICLE

ARTICLE 22. ASSIGNMENT AND SUBLEASE

Section 22.01 **LEASE ASSIGNMENT**

The Company shall not assign this Lease or the Company's interest in or to the Leased Premises, or any part thereof, without first having obtained the City's prior written consent which consent may be given or withheld in the City's sole and absolute discretion; provided, however, that this section is not intended to apply to or prevent the assignment of this Lease, in its entirety, to any corporation or other entity with which the Company may merge or to an Affiliate or Subsidiary. Without limiting the foregoing, it is a precondition to City review and approval of a requested assignment of this Lease that there shall then exist no uncured Event of Default nor any event or state of facts which with notice or the lapse of time, or both, would constitute an Event of Default. Further, the City may, in its sole and absolute discretion, condition its consent to any such assignment upon changes in any terms or conditions of this Lease, including but not limited to changes in the employment requirements under Article 9 and changes in the Ground Rent and other charges payable by the lessee hereunder and may also condition it consent to any such assignment upon the Company's payment to the City of an assignment approval fee acceptable to the City in its sole and absolute discretion, determined on the basis of such factors as the City deems relevant in its sole and absolute discretion, which factors may include, without limitation, the City's estimate of the consideration payable to the Company in respect of such assignment.

In the event that the Company requests permission to assign this Lease in whole or in part, the request shall be submitted to the Airport Director not less than sixty (60) days prior to the proposed effective date of the assignment requested, and shall be accompanied by a copy of the proposed assignment agreement(s) and of all agreement(s) collateral thereto, together with the following information and any other information requested by the Airport Director: the identity and contact information of the assignee, whether the requested assignment is a full or partial assignment of this Lease, a statement of the entire consideration to be received by the Company by reason of such assignment, the type of business to be conducted on the Leased Premises by the assignee, and reasonable financial history and financial information of the Assignee. .

Section 22.02 **LEASED PREMISES SUBLEASE**

The Company shall not sublet the Leased Premises or any part thereof without having first obtained the City's prior written consent, which consent may be given or withheld in the City's sole and absolute discretion. Without limiting the generality of the foregoing, it is a precondition to City review and approval of a proposed sublease of the Leased Premises that there shall then exist no uncured Event of Default nor any event or state of facts that with notice or the lapse of time, or both, would constitute an

Event of Default. Further, the City may, in its sole and absolute discretion, condition its consent to any such sublease upon changes in any terms or conditions of this Lease, including but not limited to changes in the employment requirements under Article 9 and changes in the Ground Rent and other charges payable by the lessee hereunder and may also condition it consent to any such sublease upon the Company's payment to the City of (i) a portion, acceptable to the City, of the amount of the excess of the rent payable from time to time by the sublessee to the Company over the rent payable from time to time by the Company to the City under this Lease, as determined by the City in its sole and absolute discretion, and (ii) a sublease approval fee acceptable to the City in its sole and absolute discretion, determined on the basis of such factors as the City deems relevant in its sole and absolute discretion, which factors may include, without limitation, the City's estimate of the consideration payable to the Company in respect of such sublease.

In the event that the Company requests permission to sublet the Leased Premises in whole or in part, the request shall be submitted to the Airport Director not less than sixty (60) days prior to the proposed effective date of the sublease requested, and shall be accompanied by a copy of the proposed sublease agreement(s) and of all agreement(s) collateral thereto, together with the following information and any other information requested by the Airport Director: the identity and contact information of the sublessee, a description of the part of the Leased Premises to be subleased, a statement of the entire consideration to be received by the Company by reason of such sublease (including but not limited to sublease rent and other charges payable by the sublessee), the type of business to be conducted on subleased premises by the sublessee, and reasonable financial history and financial information of the sublessee.

Section 22.03 **CONSUMMATION OF ASSIGNMENT OR SUBLEASE**

The City's consent for the assignment or sublease for which the City's consent is required and for which such consent has been given shall be by written instrument, in a form reasonably satisfactory to the Airport Director and the City Attorney, and shall be executed by the assignee or sublessee who shall agree, in writing, for the benefit of the City, to be bound by and to perform all the terms, covenants, and conditions of this Lease. Four (4) executed copies of such written instrument shall be delivered to the City. Failure either to obtain the City's prior written consent or to comply with the provisions of this Lease shall serve to prevent any such transfer, assignment, or sublease from becoming effective.

The Company agrees and acknowledges that it shall remain fully and primarily liable for all obligations of lessee under this Lease, notwithstanding any full or partial assignment of this Lease or any sublease of all or any portion of the Leased Premises.

Receipt by the City of Ground Rent or any other payment from an assignee, sublessee, or occupant of the Leased Premises shall not be deemed a waiver of any

covenant in this Lease against assignment and subletting or as acceptance of the assignee, sublessee, or occupant as a tenant or a release of the Company from further observance or performance of the covenants contained in this Lease. No provision of this Lease shall be deemed to have been waived by the City, unless such waiver is in writing, signed by the Airport Director.

By applying for consent to an assignment or sublease, the Company agrees to reimburse the City for its out-of-pocket costs for consultants, attorneys, and experts to evaluate the request, to advise the City with respect thereto and to prepare appropriate documents.

END OF ARTICLE

ARTICLE 23. DAMAGE OR DESTRUCTION OF LEASED PREMISES; TAKING BY EMINENT DOMAIN

Section 23.01 **LEASED PREMISES -- DAMAGE OR DESTRUCTION**

If at any time during the continuance of this Lease, the Leased Premises shall be so destroyed or so injured by fire or other casualty as to be unfit for full occupancy and use by the Company, and such destruction or injury could reasonably be repaired within one hundred eighty (180) days from the date of such destruction or injury, then the Company shall not be entitled to surrender possession of the Leased Premises; provided, however, that the Company's obligation to pay rent (other than Ground Rent) shall be equitably reduced to the extent of the diminution in use to the Company resulting from such destruction or injury until full use and occupancy is restored to the Company. In case of any such destruction or injury which occurs prior to the Date of Beneficial Occupancy, the City shall repair the damage with all reasonable speed and shall complete the construction of the Project in accordance with this Lease. In case of any such destruction or injury which occurs after completion of the Project, the Company shall repair the damage with all reasonable speed at least to the extent of the value and as nearly as possible to the character and quality of the building and improvements existing immediately prior to such occurrence.

If the Leased Premises shall be so destroyed or injured by fire or other casualty that such destruction or injury could not reasonably be repaired within one hundred eighty (180) days from the date of such destruction or injury, either Party shall have the option, upon written notice given to the other Party within thirty (30) days from the date of such destruction or injury, to terminate this Lease, and upon giving of such notice this Lease shall be terminated as of the date of such destruction or injury. In the event neither Party elects to terminate this Lease in accordance with the foregoing options, the Company shall repair the damage and restore or rebuild the building and improvements as promptly as reasonably possible.

Notwithstanding the foregoing provisions of this Article, in the event of damage or destruction, as aforesaid, such that fifty percent (50%) or more of the total floor area of the Facilities is rendered unfit for occupancy and use by the Company during the last three (3) years of the Lease Term, then either Party shall have the option, upon written notice given to the other Party within thirty (30) days from the date of such destruction or injury, to terminate this Lease, and upon the giving of such notice this Lease shall be terminated as of the date of such destruction or injury.

Section 23.02 **TAKING BY EMINENT DOMAIN**

In the event that the Leased Premises or any portion thereof shall be taken for public or quasi-public use or condemned under eminent domain, the Company shall not be entitled to claim or have paid to the Company any compensation or damages whatsoever for or on account of any loss, injury, damage or taking of any right, interest

or estate of the Company, and the Company hereby relinquishes and assigns to Lessor any rights to such damages; provided, however, that nothing herein contained shall be construed to prevent the Company from asserting against the condemnor any separate claim for damages to the Company occurring by reason of said condemnation, including without limitation loss or damage to leasehold improvements, personal property, business, fixtures, goodwill, cost of removing fixtures or equipment or loss of future profits.

In the event of any such taking or condemnation referred to in the preceding paragraph, then if and when there is an actual taking, in whole or in part, of physical possession of the Leased Premises which shall render the Leased Premises unfit for the use and occupancy by the Company substantially as used and occupied prior to such taking, the Company may terminate this Lease. The Leased Premises shall be deemed to be unfit for use by the Company if the area of the portion thereof remaining after such taking is less than sufficient to accommodate the operations carried on by the Company just prior to such taking. If the Company elects to terminate this Lease as provided above, it shall give written notice to the City within thirty (30) days after the later of (a) the entry of the final order of court authorizing the taking or appropriation or the date of settlement, as the case may be, or (b) the taking of physical possession by the condemnor. In the event there is a partial taking of the Leased Premises, but this Lease is not terminated as herein provided, then this Lease shall continue in full force and effect without abatement or reduction in rent.

END OF ARTICLE

ARTICLE 24. FEDERAL, STATE, AND LOCAL REGULATIONS

Section 24.01 **RULES AND REGULATIONS**

Except as otherwise provided, the Airport Director is charged with administering the provisions of this Lease, and will be authorized from time to time to promulgate and enforce such reasonable Rules and Regulations and policies consistent with the purposes, intent, and express terms of this Lease as the Airport Director deems necessary to implement such purposes, intent, and express terms. All such Rules and Regulations and policies so promulgated shall not be inconsistent with this Lease or any legally authorized rule or regulation of the FAA, or any other federal or State of Florida agency, which is binding in law on the Company, as the same now are or may from time to time be amended or supplemented, nor inconsistent with the reasonable exercise by the Company of any right or privilege granted under this Lease.

It shall be a violation of this section of the Lease for the Company, or any of its officers, representatives, agents, employees, guests, patrons, contractors, subcontractors, licensees, subtenants, invitees, or suppliers, to violate or to cause another person to violate any rule, regulation or policies promulgated by the Airport Director regarding operation of the Airport.

Section 24.02 **COMPLIANCE WITH LAW**

The Company shall not use the Airport or any part thereof, or knowingly permit the same to be used by any of its employees, officers, agents, subtenants, contractors, invitees, or licensees for any illegal purposes and shall, at all times during the term of this Lease, comply with all applicable regulations, ordinances, and laws of the City, the State of Florida and the federal government, and of any governmental agencies that have jurisdiction over the Airport. Without limiting the generality of the foregoing, the Company shall comply with the United States of America, United States Department of Homeland Security, United States Citizenship and Immigration Services E-Verify in order to implement the legal requirements of the Illegal Immigration Reform and Immigrant Responsibility Act of 1996, as amended.

Section 24.03 **COMPLIANCE WITH STATUTES, ORDINANCES, AND REGULATIONS**

At all times during the Lease Term, the Company shall, in connection with its activities and operations at the Airport:

Comply with and conform to all applicable current and future statutes and ordinances, and regulations promulgated thereunder, of all federal and State of Florida agencies of competent jurisdiction that apply to or affect, either directly or indirectly, the Company or the Company's operations and activities under this Lease. The Company shall comply with all applicable provisions of the Americans with Disabilities

Act of 1990 (42 U.S.C. Section 12101), as may be amended from time to time, and federal regulations promulgated thereunder that may be applicable as a result of activities conducted by the Company.

Subject to the prior written approval of the Airport Director, make, at its own expense, all nonstructural improvements, repairs, and alterations to its Exclusive Use Space and Preferential Use Space, equipment, and personal property that are required to comply with or conform to any of such statutes, ordinances, or regulations.

Regarding the City, be and remain an independent contractor with respect to all installations, construction, and services performed by or on behalf of the Company hereunder.

Section 24.04 **COMPLIANCE WITH ENVIRONMENTAL LAWS**

At all times during the Lease Term, the Company shall not cause, permit or allow any Hazardous Substances to be placed, stored, dumped, dispensed, released, discharged deposited, used, transported or located on any portion of the Premises; provided, however, that quantities of such Hazardous Substances may be used or stored by Company on the Leased Premises in the ordinary course of business on the condition that such quantities and the use thereof are:

(a) Identified in the Hazardous Substances listing described in Section 17.01,

(b) Permitted by or are exempt from applicable governmental regulations, and

(c) Are transported, stored and utilized in accordance with applicable governmental regulations and the best practices of the Company's industry.

To the extent caused by or resulting from the acts of the Company, its agents, servants, employees, or contractors, Company agrees that it shall, to the extent necessary to bring the Leased Premises into compliance with any and all applicable Environmental Laws regarding Hazardous Substances and clean-up thereof, investigate and promptly (but in any event within the time period permitted by applicable Environmental Laws) clean up Hazardous Substances found in, on, under, around, or within any portion of the Leased Premises and, with respect to such matters as described herein for which Company is responsible, to remediate the Leased Premises, and to pay for all reasonable clean-up and remediation costs at no cost to the City. All clean-up and remediation shall be performed to meet pre-existing conditions, and in no instance shall clean-up or remediation or related agreements with state or federal regulators include restrictions placed on the use of the Leased Premises or any part thereof.

Company shall perform Environmental Reporting required under this Section as described in Section 17.03.

Section 24.05 **NONDISCRIMINATION**

As a condition of the use and occupancy of the Airport and its facilities, the Company shall be subject to the following:

(a) In the event that facilities are constructed, maintained, or otherwise operated in or on the space assigned to the Company for a purpose for which a U.S. Department of Transportation (DOT) program or activity is extended or for another purpose involving the provision of similar services or benefits, the Company shall maintain and operate such facilities and services in compliance with all other requirements imposed pursuant to Title 49, CFR, U.S. DOT, Subtitle A, Office of the Secretary, Part 21, "Nondiscrimination in Federally Assisted Programs of the Department of Transportation-Effectuation of Title VI of the Civil Rights Act of 1964," and as such regulations may be amended from time to time.

(b) No person on the grounds of race, color, national origin, sex, or physical handicap, religion, or ancestry shall be excluded by the Company from participating in, denied the benefits of, or be otherwise subjected to discrimination in the use of the facilities assigned to the Company.

(c) In the construction of any improvements on, over, or under the space assigned to the Company, and the furnishing of services thereon, no person on the grounds of race, color, national origin, sex, or physical handicap shall be excluded by the Company from participating in, denied the benefits of, or otherwise be subject to discrimination.

(d) The Company shall use the Leased Premises in compliance with all other requirements imposed by or pursuant to Title 49, CFR, U.S. DOT, Subtitle A, Office of the Secretary, Part 21, "Nondiscrimination in Federally Assisted Programs of the Department of Transportation-Effectuation of Title VI of the Civil Rights Act of 1964," and as such regulations may be amended.

(e) The Company shall insert the substance of the provisions of the Section 24.05 in any lease, agreement, or contract by which the Company grants a right or privilege to any person, firm, or corporation to render accommodations or services to the public on the Company's Leased Premises.

Section 24.06 **BREACH OF NONDISCRIMINATION**

In the event of a breach of any of the nondiscrimination covenants set forth above, the City will have the right to terminate this Lease and the Company's right to use Airport services and facilities and to re-enter and repossess the space and the Facilities thereon that had been assigned to the Company, and hold the same as if such assignment had never been made. This provision regarding termination of the Company's rights to use Airport services and facilities shall not become effective until the procedures of Title 49, CFR, Part 21 are followed and completed, including the expiration of appeal rights, by either the Company or the City.

Section 24.07 **FAIR AND EQUAL FURNISHING OF SERVICES**

As a condition of the use of Airport services and facilities, the Company shall furnish its accommodations or services on a fair, equal, and not unjustly discriminatory basis to all users thereof, and it shall charge fair, reasonable, and not unjustly discriminatory prices for each unit or service. In the event of noncompliance with this section, the City may terminate this Lease and the Company's right to use Airport services and facilities.

Section 24.08 **AFFIRMATIVE ACTION PROGRAM**

As a condition of the use of Airport services and facilities, the Company shall implement an affirmative action program as required by FAA regulations, Title 14, CFR, Part 152, Subpart E, "Nondiscrimination in Airport Aid Program," or as otherwise approved by the FAA, to ensure that no person shall, on the grounds of race, creed, color, national origin, sex, or physical handicap, be excluded from participating in any employment activities covered in such Subpart E. The Company shall not exclude any person on such grounds from participating in or receiving the services or benefits of any program or activity covered by Subpart E. The Company shall require that its covered suborganizations provide assurances to the Company that they similarly will implement affirmative action programs and that they will require assurances from their suborganizations, as required by Title 14, CFR, Part 152, Subpart E to the same effect.

Section 24.09 **MINORITY BUSINESS ENTERPRISE**

As a condition of its use of Airport services and facilities, the Company shall comply with the requirements of Title 49, CFR, Part 23, "Participation by Minority Business Enterprise in Department of Transportation Programs" as this Part 23 may be amended from time to time.

Section 24.10 **RIGHTS OF THE FEDERAL GOVERNMENT**

Any use of Airport services and facilities by the Company shall be subject to whatever right the U.S. government now has or in the future may have or acquire affecting the control, operation, regulation, and taking over of the Airport or the exclusive or nonexclusive use of the Airport by the United States during the time of war or national emergency.

Section 24.11 **SUBORDINATION OF LEASE**

This Lease and the use of Airport services and facilities by the Company, pursuant to this Lease, are subordinated to the City's existing and future obligations or agreements with or to the federal government, provided that the City agrees to attempt in good faith to minimize, to the extent reasonable, the adverse consequences to the Company under said future obligations and agreements.

Local Business licenses and permits

The Company shall obtain in a timely manner and thereafter maintain during the Lease Term all business licenses, permits and other approvals required by the City or Escambia County, Florida, in order to engage in the Aircraft MRO business on the Leased Premises.

Section 24.12 **NONEXCLUSIVE RIGHTS**

It is understood and agreed that nothing herein contained shall be construed to grant the Company any exclusive right or privilege within the meaning of Section 308 of the Federal Aviation Act for the conduct of any activity on the Airport, except that, subject to the terms and provisions hereof, the Company shall have the right to exclusive possession of the Exclusive Use Space leased to the Company under the provisions of this Lease.

END OF ARTICLE

ARTICLE 25. TAXES

Section 25.01 **PAYMENT OF TAXES**

The Company shall pay all taxes that may be levied upon, assessed, or charged the Company or its property located on the Airport by the State of Florida or any of its political subdivisions or municipal corporations, and shall obtain and pay for all licenses and permits required by law.

Section 25.02 **REAL PROPERTY TAXES**

The Company shall be responsible for all real property taxes applicable to the Leased Premises during the Lease Term. If any such taxes paid by the Company shall cover any period of time prior to or after the expiration of the Lease Term, the Company's share of such taxes shall be equitably prorated to cover only the period of time within the tax year during which this Lease shall be in effect, and the City shall reimburse the Company to the extent required. If the Company shall fail to pay any such taxes, the City shall have the right, but not the obligation, to pay the same, in which case the Company shall repay such amount to the City with the Company's next Ground Rent installment, together with interest at the highest rate allowed by law.

Section 25.03 **DEFINITION**

As used herein the term "real property tax" shall mean all ad valorem and non-ad valorem taxes and assessments (including interest and penalties thereon) which are imposed against any legal or equitable interest of the City in the Leased Premises or any portion thereof by the City, Escambia County or the State of Florida or by any school, agricultural, lighting, fire, mosquito control, water, drainage or other improvement, benefits or tax district thereof, and which are collected by the Escambia County, Florida, Tax Collector, together with any tax imposed in substitution, partially or totally, of any tax previously included within the definition of “real property tax” and any additional tax the nature of which was previously included within the definition of “real property tax”.

Section 25.04 **CONTEST**

The Company may contest the legal validity or amount of any taxes, assessment, or charges for which the Company is responsible under this Lease, and may institute such proceedings as the Company considers necessary. If the Company protests any such tax, assessment or charge, the Company may withhold or defer payment or pay under protest but shall indemnify and hold the City and the Leased Premises harmless from and against any claim or lien against the City or the Leased Premises arising out of the Company's failure to pay the contested taxes, assessments or charges.

Section 25.05 **PERSONAL PROPERTY TAXES**

The Company shall pay prior to delinquency all taxes assessed against and levied upon trade fixtures, furnishings, equipment and all other personal property of the Company contained in the Leased Premises. When possible, the Company shall cause said trade fixtures, furnishings, equipment and all other personal property to be assessed and billed separately from the Land and Leased Premises. If any of the Company's said personal property shall be assessed with the Land or Leased Premises, the Company shall pay the taxes attributable to the Company within ten (10) days prior to the delinquency date for payment of such taxes.

Section 25.06 **SALES TAX**

The Company shall pay or reimburse to City all sales and use tax imposed by Florida Statutes Section 212.031 and any future amendments thereto, or other applicable Florida law in effect from time to time, on the Ground Rent due under this Lease and on any other payments required by this Lease to be made by the Company to or for the benefit of the City which is taxable as rent under applicable Florida law. Such sales or use tax shall be due and payable concurrently with the payment of the Ground Rent or other payment with respect to which such tax is required to be paid.

END OF ARTICLE

ARTICLE 26. GENERAL PROVISIONS

Section 26.01 **ACKNOWLEDGMENT**

The Parties hereto acknowledge that they have thoroughly read this Lease, including any exhibits or attachments hereto, and have sought and received whatever competent advice and counsel necessary for them to form a full and complete understanding of their rights and obligations hereunder. The Parties further acknowledge that this Lease is the result of extensive negotiations between the Parties and shall not be interpreted against the City by reason of the preparation of this Lease by the City.

Section 26.02 **AUTHORITY OF THE AIRPORT DIRECTOR**

The Airport Director or his designee may exercise all rights and obligations of the City under this Lease, unless specifically provided otherwise or required by law.

Section 26.03 **CAPACITY TO EXECUTE**

The individuals executing this Lease personally warrant that they have full authority to execute this Lease on behalf of the entity for whom they are acting hereunder.

Section 26.04 **COMPLIANCE WITH TITLE 14, CFR PART 77.**

The Company agrees to comply with the notification and review requirements covered in Title 14, CFR, Part 77, "Objects Affecting Navigable Airspace," in the event that future construction of a building is planned for the Leased Premises, or in the event of any planned modification or alteration of any existing or future building or structure situated on the Leased Premises. Further, the Company shall conduct its operations within the Leased Premises in compliance with Title 14, CFR, Part 77.

Section 26.05 **DELIVERY OF NOTICES**

Any notices required in this Lease shall be in writing and served personally or sent by registered or certified mail, postage prepaid, or by courier service, such as FedEx or UPS. Any notices mailed pursuant to this section shall be presumed to have been received by the addressee five (5) business days after deposit of said notice in the mail, unless sent by courier service.

Notices to the City shall be addressed to:

Airport Director
City of Pensacola
Pensacola International Airport
2430 Airport Boulevard, Suite 225
Pensacola, Florida 32504

Notices to the Company shall be addressed to:

President, VT Mobile Aerospace Engineering, Inc.
Joseph Ng
2100 Aerospace Drive
Brookley Aeroplex
Mobile, AL 36615
Telephone: 251-438-8888
Telecopier: 251-438-8892

Section 26.06 **EMPLOYEES OF THE COMPANY**

The Company shall require all of its employees, subcontractors, and independent contractors hired by the Company and working in view of the public to wear clean and neat attire and to display appropriate identification. Company employees shall obtain identification badges from the City. The Company shall be responsible for paying the cost of TSA-required employee background checks and badging.

Section 26.07 **ENTIRE LEASE**

This Lease constitutes the entire agreement between the Parties on the subject matter hereof and may not be changed, modified, discharged, or extended except by written instrument duly executed by the City and the Company. The Company agrees that no representations or grants of rights or privileges shall be binding upon the City unless expressed in writing in this Lease.

Section 26.08 **FAVORED NATIONS**

City agrees not to enter into any lease with any other Aircraft MRO business conducting similar operations at the Airport after the date of this Lease that contain more favorable rents, fees or charges than those provided in this Lease.

Section 26.09 **FORCE MAJEURE**

Neither the City nor the Company shall be deemed to be in violation of this Lease if it is prevented from performing any of its obligations hereunder by reason of strikes, boycotts, labor disputes, embargoes, shortages of material, acts of God, acts of the public enemy, acts of superior governmental authority, weather conditions, tides,

riots, rebellion, sabotage, or any other circumstances for which it is not responsible or which is not in its control (collectively, "Force Majeure"); provided, however, that Force Majuere shall not excuse the Company from making, as and when due, any monetary payment required under this Lease or by the Rules and Regulations, including but not limited to Ground Rent, Additional Rent, Airport rentals, fees, and charges, Taxes under Article 25 and insurance premiums.

Section 26.10 **GENDER**

Words of either gender used in this Lease shall be held and construed to include the other gender, and words in the singular number shall be held to include the plural, unless the context otherwise requires.

Section 26.11 **GENERAL INTERPRETATION**

Insofar as this Lease grants, permits, or contemplates the use of space or facilities or the doing of any other act or thing at the Airport by the Company, such use or the doing of such act or thing by the Company is to be in connection with the operation of its Aircraft MRO business. Each of the Parties, however, has entered into this Lease solely for its own benefit; and (without limiting the right of either Party to maintain suits, actions, or other proceedings because of breaches of this Lease) this Lease does not grant to any third person (excepting a successor party to the City or the Company) a right to claim damages or bring any suit, action, or other proceeding against either the City or the Company because of any breach hereof.

Section 26.12 **GOVERNING LAW**

The laws of the State of Florida shall govern this Lease and all disputes arising hereunder, with venue in Escambia County, Florida.

Section 26.13 **HEADINGS**

The headings of the articles and sections of this Lease are inserted only as a matter of convenience and for reference and do not define or limit the scope or intent of any provisions of this Lease and shall not be construed to affect in any manner the terms and provisions of this Lease or its interpretation.

Section 26.14 **INCORPORATION OF EXHIBITS**

All exhibits referred to in this Lease are intended to be and hereby are specifically incorporated and made a part of this Lease.

Section 26.15 **INCORPORATION OF REQUIRED PROVISIONS**

The Parties hereto incorporate herein by this reference all applicable provisions lawfully required to be contained herein by any governmental body or agency.

Section 26.16 **INVALID PROVISIONS**

In the event that any covenant, condition, or provision herein contained is held to be invalid by a court of competent jurisdiction, the invalidity of any such covenant, condition, or provision shall in no way affect any other covenant, condition, or provision herein contained, provided that the invalidity of any such covenant, condition, or provision does not materially prejudice either the City or the Company in its respective rights and obligations contained in the valid covenants, conditions, and provisions of this Lease.

Section 26.17 **LAWS AND ORDINANCES**

The Company agrees to comply promptly with all laws, ordinances, orders, and regulations affecting the Leased Premises, including, but not limited to, those related to its cleanliness, safety, operation, use, and business operations. The Company shall comply with all federal and State of Florida regulations concerning its operation on the Airport and shall indemnify and hold harmless the City, its officers, and employees from any charges, fines, or penalties that may be assessed or levied by any department or agency of the United States or the State of Florida, by reason of the Company's failure to comply with the terms of this section or with any other terms set forth in this Lease.

Section 26.18 **MUNICIPAL SERVICES**

The City, acting in its general governmental capacity, will provide law enforcement, fire protection, and emergency medical services to the Facilities and the Company's employees equal to that of other businesses similarly situated.

Section 26.19 **NONLIABILITY OF INDIVIDUALS**

No director, officer, agent, elected official, or employee of either Party shall be charged personally or held contractually liable by or to the other Party under any term or provision of this Lease or because of any breach hereof or because of its or their execution or attempted execution.

Section 26.20 **NONINTERFERENCE WITH AIRPORT OPERATIONS**

The Company, by executing this Lease, expressly agrees for itself, its successors, and assigns that it will not make use of its Leased Premises in any manner that might interfere with the landing and taking off of aircraft at the Airport or otherwise constitute a hazard. In the event that the aforesaid covenant is breached, on reasonable notice to the Company and opportunity to cure, the City reserves the right to enter the

Company's Leased Premises and cause the abatement of such interference at the expense of the Company.

Section 26.21 **NOTICE OR CONSENT**

Any notice or consent required herein to be obtained from or given by the City (or the Airport Director) may be given by the Airport Director unless otherwise provided. Consent of the Company when required herein shall not be unreasonably withheld, delayed, or conditioned.

Section 26.22 **NONWAIVER**

The acceptance of rentals, fees, and charges by the City for any period or periods after a default of any of the terms, covenants, and conditions contained herein to be performed, kept, and observed by the Company shall not be deemed a waiver of any right on the part of the City to terminate this Lease.

Section 26.23 **OPERATION OF THE AIRPORT**

The City agrees to maintain and operate the Airport in accordance with all applicable standards, rules, and regulations of the Federal Aviation Administration or its successor. The City shall exercise its rights hereunder and otherwise operate the Airport with due regard for the operational requirements and long-term interests of the Company, aircraft operators, and the interests of the traveling public, in a manner that is consistent with applicable laws, Federal Aviation Regulations, federal grant assurances, and the City's Bond Resolution.

Section 26.24 **OTHER LAND AND BUILDINGS EXCLUDED**

It is agreed and understood that this Lease and any exhibit hereto is not intended to provide for the lease of any building, land, space, or area or to set any rental rates for any building, land, space, or area other than that specifically described herein.

Section 26.25 **PUBLIC RECORDS LAWS**

The Parties shall each comply with Florida Public Records laws. The Parties hereby contractually agree that each Party shall allow public access to all documents, papers, letters, or other public records as defined in Chapter 119, Florida Statutes, made or received by either Party in conjunction with this Lease, or related thereto, unless a statutory exemption from disclosure exists. Notwithstanding any provision to the contrary, it is expressly agreed that Company's failure to comply with this provision, within seven (7) days of notice from the City, shall constitute an immediate and material breach of this Lease for which the City may, in the City's sole discretion, unilaterally terminate this Lease without prejudice to any right or remedy.

Section 26.26 **RESERVATIONS RE: AIRSPACE AND NOISE**

There is hereby reserved to the City, its successors, and assigns, for the use and benefit of the public, a right of flight for the passage of aircraft in the airspace above the surface of the Leased Premises.

The City reserves the right to establish permissible noise levels for the Airport environs area and hours of material noise generating activities.

Section 26.27 **RIGHT TO AUDIT BOOKS AND RECORDS**

The Company agrees to keep true and accurate books and records on its operations at the Airport, and the Airport Director and any other authorized City representative, upon reasonable advance written notice to the Company, shall have the right to inspect and audit such books and records to ensure compliance with the prevailing municipal bond disclosure requirements and to determine that the City has received from the Company and its customers all moneys due the City under the terms hereof. Likewise, the Company shall have the right to inspect Airport books and records relating to the provisions hereof.

Section 26.28 **RIGHTS RESERVED TO THE CITY**

Nothing contained herein shall unlawfully impair the right of the City to exercise its governmental or legislative functions. This Lease is made subject to the Constitution and laws of the State of Florida and to the provisions of the Airport Improvement Program grants applicable to the Airport and its operation, and the provisions of such Lease, insofar as they are applicable to the terms and provisions of this Lease, shall be considered a part hereof to the same extent as though copied herein at length to the extent, but only to the extent, that the provisions of any such agreements are required generally by the United States at other civil airports receiving federal funds. To the best of the City's knowledge, nothing contained in such laws or agreements conflicts with the express provisions of this Lease.

Section 26.29 **RUNWAY EXTENSION**

The City will use commercially reasonable efforts to extend Runway 17-35 to a length of approximately eight thousand (8,000) feet subject to approvals and availability of ninety percent (90%) grant funding to pay the costs of planning and constructing the runway extension. The Runway 17-35 extension has been in the Airport's Master Plan since 1999. The Airport's Master Plan provides the Runway 17-35 extension would be constructed when the need could be demonstrated. Several of the aircraft types that currently operate at the Airport have need for a longer runway length. Therefore, the City is planning the construction of the extension to Runway 17-35 when grant funding will make the extension financially feasible. Therefore, the extension of Runway 17-35 is not an inducement for this Lease.

Section 26.30 **SIGNS**

The installation and operation of identifying signs, posters, and graphics on the Company's Leased Premises are subject to the prior written approval of the Airport Director. Such signs shall be substantially uniform in size, type, and location with those of other tenants, and consistent with the City's graphics standards and the Airport Rules and Regulations, and in compliance with all applicable laws and ordinances.

Section 26.31 **SUCCESSORS AND ASSIGNS**

The provisions of this Lease shall be binding upon and inure to the benefit of the successors and assigns of the Parties hereto; provided, however, that this provision shall in no way whatsoever alter the restriction herein regarding assignment and sublease by the Company.

Section 26.32 **NO AUTOMATIC RENEWALS**

This Lease contains no automatic renewals of the Term.

Section 26.33 **TRIAL BY JURY**

The parties to this Agreement desire to avoid the additional time and expense related to a jury trial of any disputes arising hereunder. Therefore, it is mutually agreed by and between the parties hereto, and for their successors, heirs and permitted assigns, that they shall and hereby do waive trial by jury of any claim, counterclaim, or third-party claim, including any and all claims of injury or damages, brought by either party against the other arising out of or in any way connected with this Lease and/or the relationship which arises hereunder. The parties acknowledge and agree that this waiver is knowingly, freely, and voluntarily given, is desired by all parties, and is in the best interest of all parties.

Section 26.34 **NO PARTNERSHIP**

Nothing in this agreement constitutes a partnership between the Parties. It is the express intention of the Parties to deny any such relationship.

Section 26.35 **THIRD PARTIES**

Nothing in this Agreement, express or implied, is intended to or shall confer upon any other person any right, benefit or remedy of any nature whatsoever under or by reason of this Lease.

Section 26.36 **TIME IS OF THE ESSENCE**

Time is of the essence in this Lease.

Section 26.37 **MEMORANDUM OF LEASE.**

Concurrently with the execution of this Lease, the Parties have executed a short-form memorandum of this Lease in form suitable for recording and in substance sufficient to provide constructive notice to third parties of the material terms and provisions of this Lease. The City shall cause such memorandum to be recorded in the public records of Escambia County, Florida.

Section 26.38 **REPRESENTATIONS AND WARRANTIES OF CITY.**

City hereby represents and warrants to the Company that as of the Effective Date:

a. The City is the fee simple owner and record title holder of the Leased Premises;

b. The City has the full right and authority to make and execute this Lease;

c. To the knowledge of the City, there are no pending or threatened condemnation proceedings or other governmental, municipal, administrative or judicial proceedings affecting the Leased Premises; and

d. This Lease and the consummation of the transaction contemplated in this Lease are the valid and binding obligations of the City and do not constitute a default (or an event which, with the giving of notice or the passage of time, or both, would constitute a default) under, any contract to which the City is a party or by which it is bound.

Section 26.39 **CITY BREACH.**

(a) The occurrence of the following event (such event being referred to in this Lease as a "City Event of Default") shall constitute a material default and breach of this Lease by the City: The City fails to observe or perform any covenant, condition, or provision of this Lease to be observed or performed by the City and such failure shall continue for a period of thirty (30) days after written notice thereof by the Company to the City; provided, however, if the nature of such failure is such that more than thirty (30) days are reasonably required for its remedy or cure, than such 30-day period shall be extended for up to ninety (90) additional days provided that the City begins such remedy or cure within such 30-day period and thereafter diligently and continuously prosecutes such remedy or cure to completion within such additional 90-day period.

(b) Upon the occurrence of a City Event of Default and the expiration of any applicable cure period, and for so long as such City Event of Default remains uncured, the Company may at its option cure such Event of Default, provided that the Company shall give the City fifteen (15) days prior written notice of its intent to cure such City Event of Default, which notice shall specify the manner in which the Company intends to cure such City Event of Default and the estimated cost of such cure. If the City fails to reimburse the Company, within ten (10) days after written demand, for the reasonable costs and expenses incurred by the Company to cure such City Event of Default, the Company shall be entitled to recover such reasonable costs and expenses from the City in an action at law for damages, but in no event shall the Ground Rent or any other amounts payable by the Company hereunder be abated, nor shall the Company be entitled to deduct or set off any such costs or expenses from or against any payment of Ground Rent or other payments then due or thereafter coming due from the Company pursuant to this Lease.

(c) If, but only if, a City Event of Default constitutes a constructive eviction of the Company from the Leased Premises under Florida law, the Company shall be entitled to terminate this Lease in accordance with this paragraph. If the Company intends to claim a constructive eviction by reason of a City Event of Default, then after the occurrence of such Event of Default and the expiration of any applicable cure periods, Company shall give the City not less than ninety (90) days prior written notice of the Company's intent to terminate this Lease pursuant to this paragraph. If the City cures the Event of Default during such 90-day period, the Company shall not be entitled to terminate this Lease. Further, if the Company intends to claim a constructive eviction by reason of a City Event of Default, the Company shall abandon the Leased Premises within a reasonable time after the occurrence of the event giving rise to the City Event of Default, but in any event within thirty (30) days after the expiration of the cure period provided in paragraph (a) above.

(d) The rights and remedies provided to the Company in this Section shall be the sole and exclusive rights and remedies available to the Company upon the occurrence of a City Event of Default.

(e) Upon the occurrence of a City Event of Default, the Company shall use reasonable efforts to mitigate its damages.

END OF ARTICLE

IN WITNESS WHEREOF, the undersigned have duly executed this Lease as of the dates set forth below.

CITY:	**COMPANY:**
CITY OF PENSACOLA	**VT MOBILE AEROSPACE ENGINEERING, INC.**
	An Alabama Corporation
By:_____	By:_____
Ashton J. Hayward, III - Mayor	
Date:_____	Date: _____

Attest:

_____
City Clerk

Approved As To Content:

By:
_____
Airport Director

Approved As To Form

By:_____

City Attorney

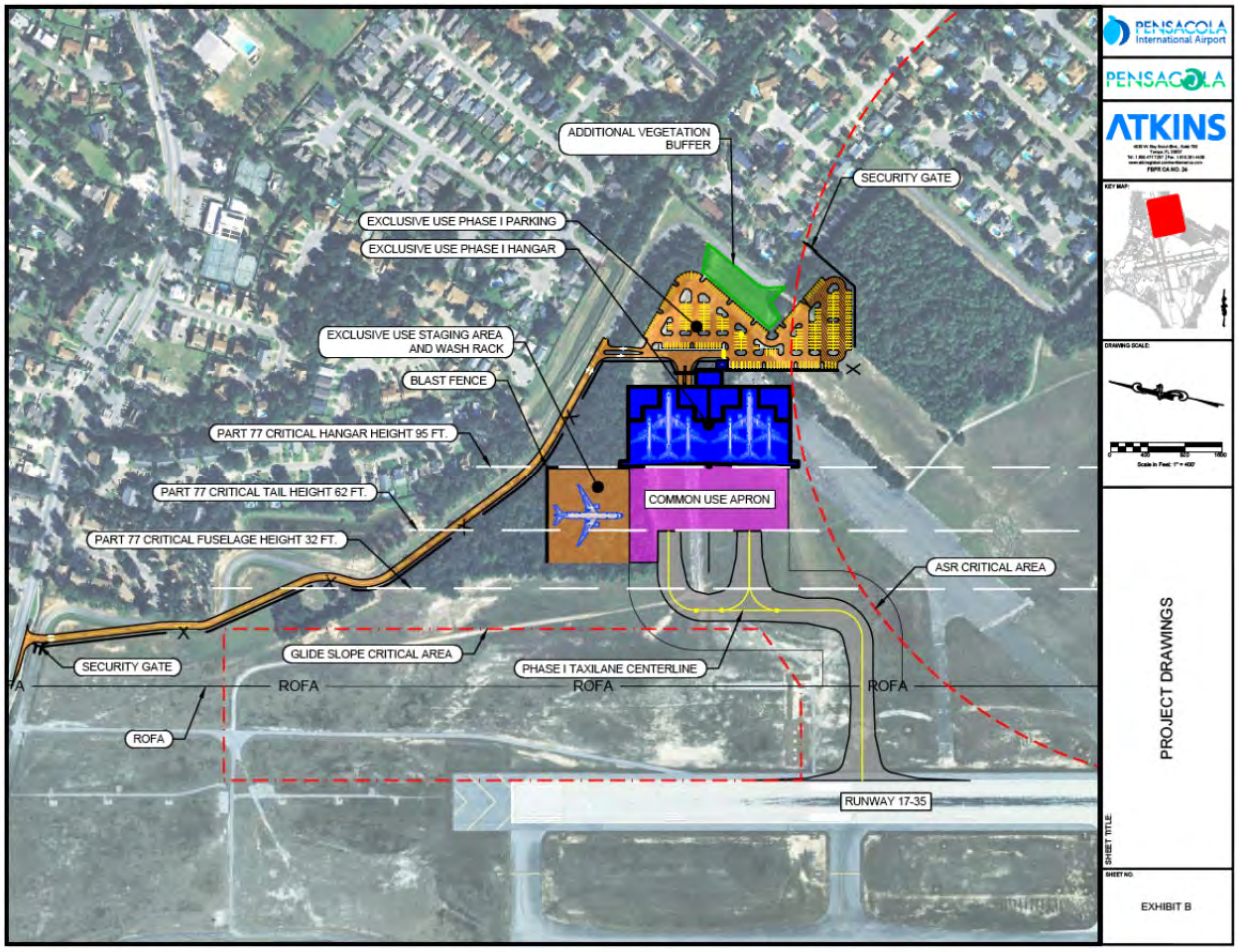
Exhibit A

Land


PHASE I LEASE
AREA
+/- 18.66 ACRES
ASR CRITICAL AREA
GLIDE SLOPE CRITICAL AREA
PHASE I TAXILANE CENTERLINE
RUNWAY 17-35
PENSACOLA
International Airport
PENSACOLA
ATKINS
KEY MAP:
DRAWING SCALE:
LAND
SHEET TITLE:
SHEET NO.
EXHIBIT A

Exhibit B

Project Drawings


ADDITIONAL VEGETATION BUFFER
SECURITY GATE
EXCLUSIVE USE PHASE I PARKING
EXCLUSIVE USE PHASE I HANGAR
EXCLUSIVE USE STAGING AREA AND WASH RACK
BLAST FENCE
PART 77 CRITICAL HANGAR HEIGHT 95 FT.
PART 77 CRITICAL TAIL HEIGHT 62 FT.
PART 77 CRITICAL FUSELAGE HEIGHT 32 FT.
COMMON USE APRON
ASR CRITICAL AREA
GLIDE SLOPE CRITICAL AREA
PHASE I TAXILANE CENTERLINE
SECURITY GATE
ROFA
ROFA
ROFA
ROFA
RUNWAY 17-35
PENSACOLA International Airport
PENSACOLA
ATKINS
KEY MAP:
DRAWING SCALE:
PROJECT DRAWINGS
SHEET TITLE
SHEET NO.
EXHIBIT B

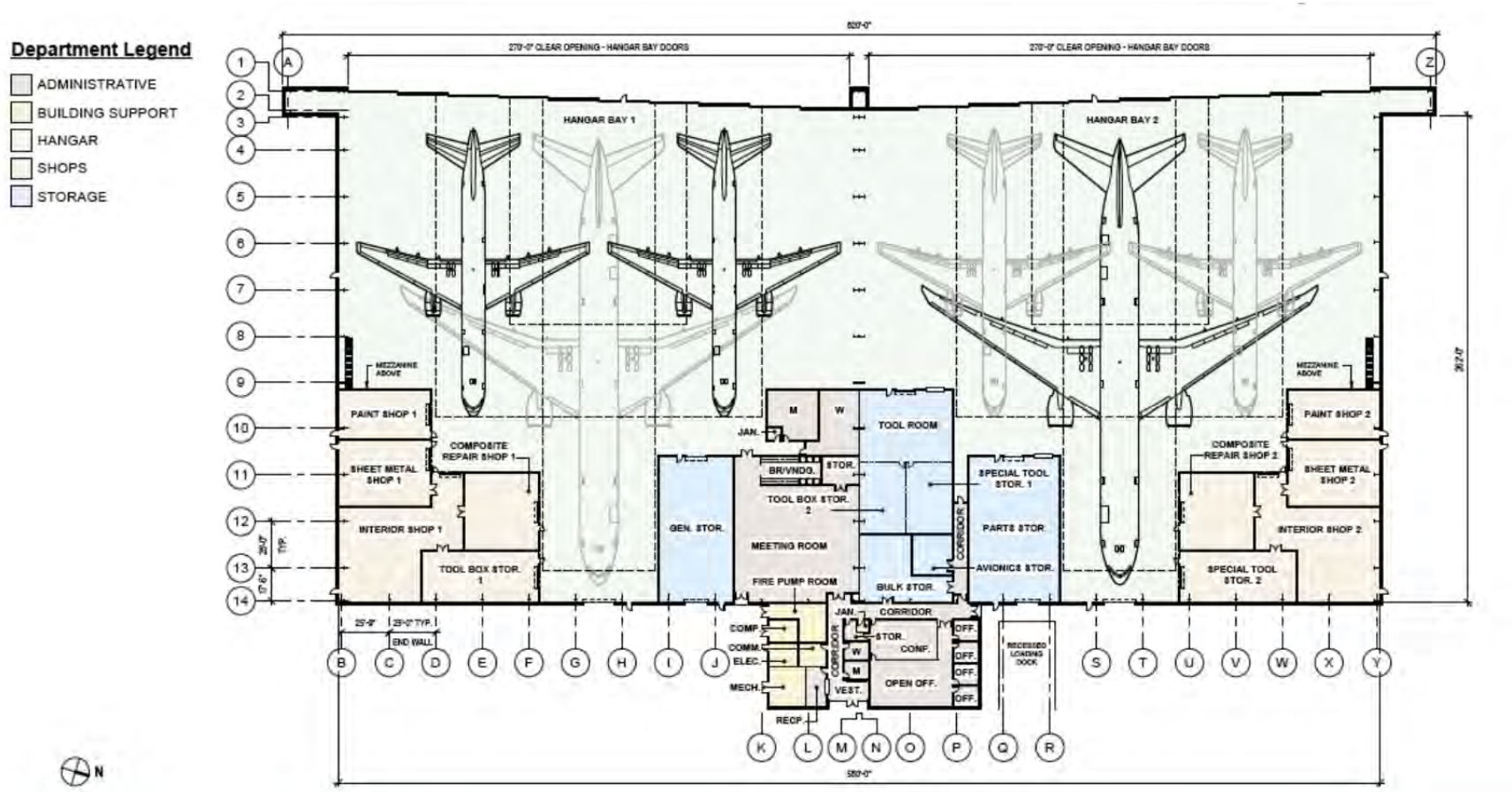
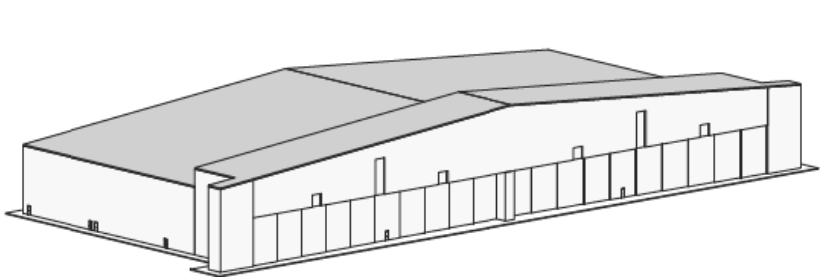

Department Legend
ADMINISTRATIVE
BUILDING SUPPORT
HANGAR
SHOPS
STORAGE
HANGAR BAY 1
HANGAR BAY 2
270'-0" CLEAR OPENING - HANGAR BAY DOORS
270'-0" CLEAR OPENING - HANGAR BAY DOORS
PAINT SHOP 1
SHEET METAL SHOP 1
COMPOSITE REPAIR SHOP 1
INTERIOR SHOP 1
TOOL BOX STOR. 1
GEN. STOR.
MEETING ROOM
FIRE PUMP ROOM
TOOL ROOM
BR/VNDG.
STOR.
TOOL BOX STOR. 2
JAN.
M
W
SPECIAL TOOL STOR. 1
PARTS STOR.
AVIONICS STOR.
BULK STOR.
CORRIDOR
COMP.
COMM.
ELEC.
MECH.
VEST.
OPEN OFF.
CONF.
OFF.
RECP.
RECESSED LOADING DOCK
PAINT SHOP 2
SHEET METAL SHOP 2
COMPOSITE REPAIR SHOP 2
INTERIOR SHOP 2
SPECIAL TOOL STOR. 2
MEZZANINE ABOVE
25'-0" TYP.
END WALL
N

Exhibit B Continued



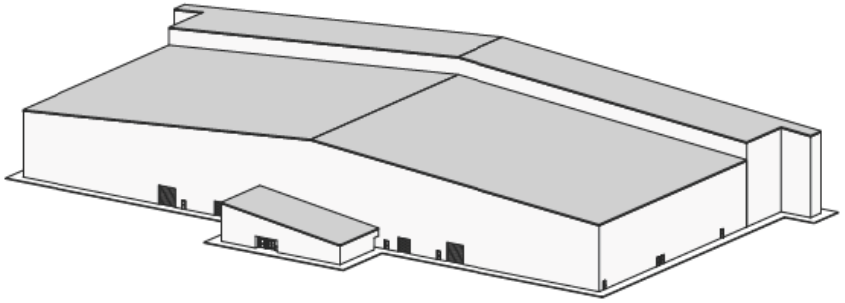


Exhibit C

Facilities Description

BUILDING DESIGN NARRATIVE

See attached A-1 Conceptual Hangar Floor Plan for space layouts including square footages.

Architectural Design

Hangar concept design consists of an approximately 160,000 gross square foot, single story facility. Foundations are assumed to be spread footings supporting a pre-engineered metal building (PEMB) structural system. PEMB pre-finished metal wall panels, translucent panels and roof panels will make up the exterior skin of the building and will be installed over roof purlins/wall girts and vinyl faced batt insulation (R-13 wall/R-19 roof). Exterior personnel doors are hollow metal type set in hollow metal frames. Exterior and interior overhead doors will be metal, insulated, motorized coiling type. The primary entrance and windows will be aluminum storefront. The hangar bay concrete floor slabs will be thickened at aircraft maintenance positions and the remainder of the hangar bay will be designed for forklift loading. The central storage area will not be designed for mezzanine storage whereas the shop spaces on the ends of the hangar bays will be designed and include a pre-engineered mezzanine for storage. See floor plan for locations. The hangar bay doors will be sliding type with two door pockets to allow the doors to be stacked providing clear access to each hangar bay. Metal liner panels to an elevation of 10'-0" AFF will be provided inside the hangar bays. The administration areas will be finished to an "office" type environment and the shops and storage areas will be finished to an appropriate level dependent upon the function of the space. Restrooms are included and based upon a building occupancy of 300.

Engineering and Design Assumptions

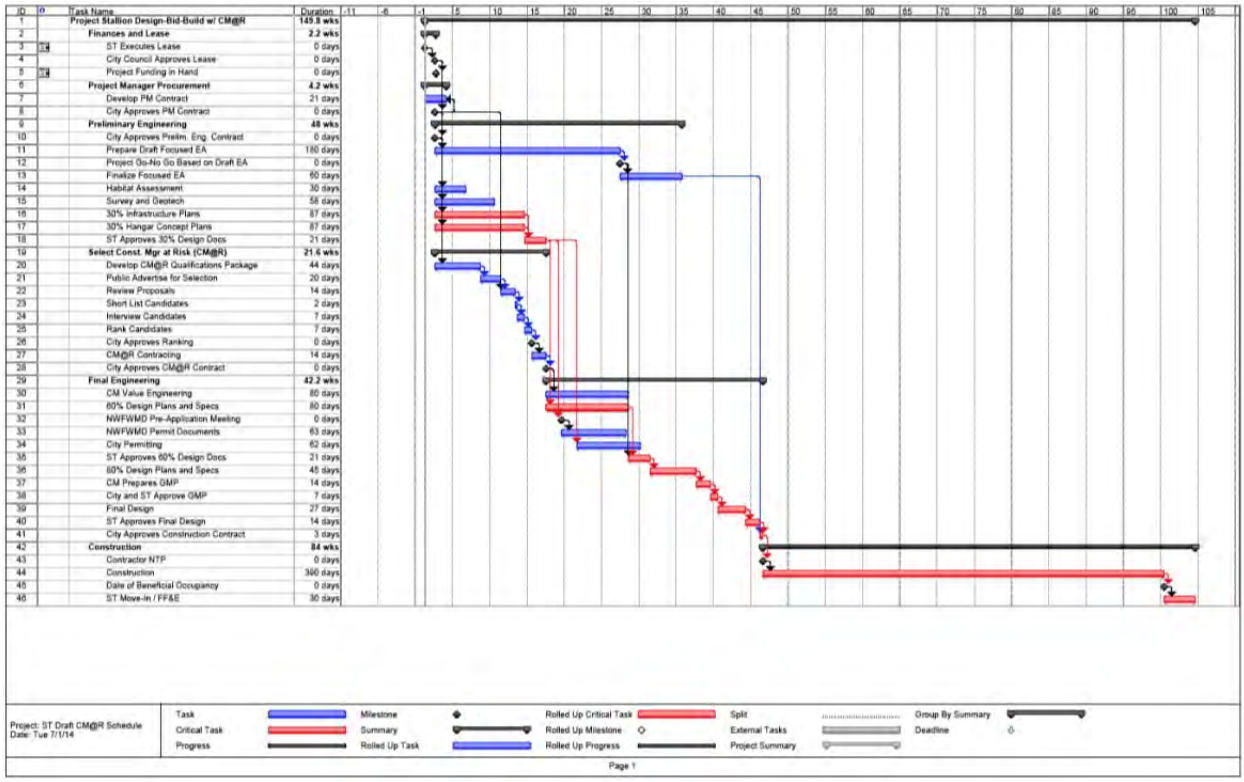
- Design Aircraft (NIC) – Boeing 757-200 and Boeing 777-300ER
- Foundations – spread footings (to be confirmed by geotechnical report)
- Floors – slab on grade (to be confirmed by geotechnical report)
- Structure – pre-engineered metal building (engineering by manufacturer/supplier)
- Structure – assume Risk Category III, 170 MPH wind speed
- Architectural – fall protection design included
- Interior – SID design included FF&E design is not included
- Plumbing – fixture counts based upon 300 occupants
- Compressed Air – forty drops for building, wall mounted (potential bid option)
- Fire Protection – fire pump, sprinkler system and fire alarm IAW NFPA 101 and 409
- Mechanical – administrative and storage heated and cooled
- Mechanical – hangar bays ventilated only, not heated and cooled
- Mechanical – shops ventilated only, not heated and cooled
- Electrical – metal halide lighting in hangar bays and building exterior, apron only
- Electrical – fluorescent lighting in shops, storage, administrative spaces and restrooms
- Electrical – 400Hz power, eight outlets, wall mounted (potential bid option)
- Electrical – 28vDC power, eight outlets, wall mounted (potential bid option)
- Electrical – no emergency power
- Telecommunications – no audio/visual
- Security – no electronic security or alarm systems included
- Systems – no bridge cranes or overhead reels in hangar bays

Exhibit D
Space Program

ROOM SCHEDULE	
ROOM NAME	**AREA**
ADMINISTRATIVE	
MEETING ROOM	4297 SF
STOR.	105 SF
W	801 SF
M	677 SF
CORRIDOR	342 SF
CORRIDOR	738 SF
CORRIDOR	283 SF
VEST.	240 SF
STOR.	289 SF
BR/VNDG.	487 SF
CONF.	771 SF
OPEN OFF.	1270 SF
OFF.	155 SF
OFF.	155 SF
OFF.	155 SF
OFF.	155 SF
W	131 SF
M	131 SF
RECP.	236 SF
SUBTOTAL:	11419 SF
BUILDING SUPPORT	
COMP.	188 SF
ELEC.	188 SF
COMM.	183 SF
MECH.	417 SF
FIRE PUMP ROOM	434 SF
JAN.	46 SF
JAN.	46 SF
SUBTOTAL:	1502 SF
HANGAR	
HANGAR BAY 1	55818 SF
HANGAR BAY 2	55806 SF
SUBTOTAL:	111624 SF
SHOPS	
PAINT SHOP 1	1299 SF
SHEET METAL SHOP 1	1743 SF
INTERIOR SHOP 1	3124 SF
TOOL BOX STOR. 1	1704 SF
COMPOSITE REPAIR SHOP 1	1626 SF
PAINT SHOP 2	1299 SF
SHEET METAL SHOP 2	1743 SF
INTERIOR SHOP 2	3124 SF
SPECIAL TOOL STOR. 2	1704 SF
COMPOSITE REPAIR SHOP 2	1626 SF
SUBTOTAL:	18992 SF
STORAGE	
BULK STOR.	1349 SF
TOOL ROOM	1933 SF
GEN. STOR.	3089 SF
PARTS STOR.	3822 SF
TOOL BOX STOR. 2	968 SF
SPECIAL TOOL STOR. 1	968 SF
AVIONICS STOR.	455 SF
SUBTOTAL:	12585 SF
NET TOTAL:	156102 SF
GROSS TOTAL (INCL. EXT. WALLS):	160000 SF

Exhibit E

Project Schedule



ID	Task Name	Duration
1	**Project Stallion Design-Bid-Build w/ CM@R**	**149.8 wks**
2	**Finances and Lease**	**2.2 wks**
3	ST Executes Lease	0 days
4	City Council Approves Lease	0 days
5	Project Funding in Hand	0 days
6	**Project Manager Procurement**	**4.2 wks**
7	Develop PM Contract	21 days
8	City Approves PM Contract	0 days
9	**Preliminary Engineering**	**48 wks**
10	City Approves Prelim. Eng. Contract	0 days
11	Prepare Draft Focused EA	180 days
12	Project Go-No Go Based on Draft EA	0 days
13	Finalize Focused EA	60 days
14	Habitat Assessment	30 days
15	Survey and Geotech	58 days
16	30% Infrastructure Plans	87 days
17	30% Hangar Concept Plans	87 days
18	ST Approves 30% Design Docs	21 days
19	**Select Const. Mgr at Risk (CM@R)**	**21.6 wks**
20	Develop CM@R Qualifications Package	44 days
21	Public Advertise for Selection	20 days
22	Review Proposals	14 days
23	Short List Candidates	2 days
24	Interview Candidates	7 days
25	Rank Candidates	7 days
26	City Approves Ranking	0 days
27	CM@R Contracting	14 days
28	City Approves CM@R Contract	0 days
29	**Final Engineering**	**42.2 wks**
30	CM Value Engineering	80 days
31	60% Design Plans and Specs	80 days
32	NWFWMD Pre-Application Meeting	0 days
33	NWFWMD Permit Documents	63 days
34	City Permitting	62 days
35	ST Approves 60% Design Docs	21 days
36	60% Design Plans and Specs	45 days
37	CM Prepares GMP	14 days
38	City and ST Approve GMP	7 days
39	Final Design	27 days
40	ST Approves Final Design	14 days
41	City Approves Construction Contract	3 days
42	**Construction**	**84 wks**
43	Contractor NTP	0 days
44	Construction	390 days
45	Date of Beneficial Occupancy	0 days
46	ST Move-In / FF&E	30 days

Exhibit F

Additional Land


PENSACOLA International Airport
PENSACOLA
ATKINS
PHASE II LEASE AREA +/- 16.56 ACRES
ASR CRITICAL AREA
GLIDE SLOPE CRITICAL AREA
PHASE I TAXILANE CENTERLINE
RUNWAY 17-35
ADDITIONAL LAND
EXHIBIT F

Exhibit G

Environmental Baseline

Report

CD containing the Report is attached hereto.

Exhibit H

FAA AIRSPACE DETERMINATION LETTER AND
FAA APPROVED AIRPORT LAYOUT PLAN

[TO BE ATTACHED WHEN RECEIVED FROM FAA BY CITY]

Exhibit I
IREFF Agreement Excerpt

EXHIBIT D

Criteria for Measurement of Achievement of Terms for New Full-Time Equivalent Jobs, Average Annual Wage

Annual certification, as required in Section 7.0(c) of this Agreement, must be made in a **letter format clearly certifying the applicable requirements set in 5.0(c)**, which shall include the following information and documentation. (For IRREF Awardees certified as a QTI Business, submittal of the required QTI Claim Application and relevant documentation is required.) Section I of this Exhibit explains how the Annual Certification Period, used in the calculation of full-time equivalent jobs, average annual wages and the Base Period for those jobs, is determined. Sections II, III, and IV explain the method that will to be used to determine the number of **full-time equivalent jobs** working on the project and the **average annual wage** of those project jobs, and the **documentation required** for jobs and wages.

Although it is not necessary to submit copies of all documentation to support information included in Annual Certifications (information such as project jobs and related wages/salaries), the IRREF Awardee must maintain all related forms and supporting documentation and make these materials available to OEDE as required in Sections 7.0(f) and 19.0 of this Agreement.

Section I. REFUND AND BASE PERIODS

A. Annual Certification Period -- The Annual Certification Period, for purposes of this Agreement, is the period from the month the previous certification was submitted until the effective date of the current certification. For the first certification, the Annual Certification Period is defined as the period from October 1 to December 31 of the year the first new jobs are scheduled to be measured as specified in Paragraph 5.0(c) of this Agreement. For subsequent years the Annual Certification Period is January 1 to December 31 of the current certification year. (See Sections II and III for more detailed discussion of the method that will be used to evaluate jobs and wages for these periods.)

B. Base Period -- The Base Period will be used to calculate the net new jobs. The Base Period will be the 12 months ending December 31 of the calendar year preceding the year in which the Agreement is executed, unless otherwise specified within this Agreement.

Section II. PROJECT JOBS DETERMINATION

The following definitions and procedures must be used in determining and reporting the number of full-time equivalent jobs dedicated to the Project.

A. Job Definitions:

1. Full-time equivalent jobs -- A "full-time equivalent job" for purposes of this

Agreement means at least 35 hours of paid work a week. In tabulating hours worked, any paid leave an employee takes during the pay period, such as vacation or sick leave, may be included. The total number of full-time equivalent jobs may include **both direct and support** jobs for this project.

2. Direct jobs -- For purposes of this Agreement, "direct jobs" may include operational or production and related workers assigned directly to the project.

3. Support jobs -- For purposes of this Agreement, "support jobs" include non-production, support or overhead workers, such as legal, administrative and clerical, working at the IRREF-approved business unit. The concept for support jobs is generally only relevant for businesses working on defense or other government contracts or sub-contracts.

4. New Full-time Equivalent Job -- Full-time equivalent jobs may be counted as new full-time equivalent jobs only if they result in a net increase in full-time equivalent jobs at the IRREF business over the average full-time equivalent jobs for the base period, unless otherwise specified in this Agreement. In no case may jobs or job functions be counted as new, full-time equivalent project jobs if they are moved from a related business in Florida (including a business related by virtue of a merger, purchase, or any form of acquisition) to the IRREF Awardee, from another Florida location of the IRREF Awardee to the project location, or from any other Florida business unit. In addition, no temporary construction jobs involved with the construction of facilities for the project nor any jobs which have been previously included in any approved application for annual certification or claims under Sections 288.104, 288.1045 288.106 or 288.1088, Florida Statutes, may be included in full-time equivalent project jobs.

5. Full-time equivalent direct project jobs -- Full-time equivalent **direct** jobs for the project may be counted as (a) all direct employees working full time (at least 35 hours a week) on the project, such as production or related work, assigned to and working exclusively on the project described in this Agreement or (b) the total of the hours of direct production or related work assigned to the project divided by

6. Full-time equivalent support project jobs -- Full-time equivalent support jobs may be counted for the project if they are (a) exclusively assigned to and working at least 35 hours a week on the project described in this Agreement or (b) they may be estimated by multiplying the **total number of all full-time "support** jobs" at the business by the **ratio** of the number of **"full-time direct" project** jobs to the total of **all "full-time direct" jobs** at the business.

7. Base jobs -- Full-time equivalent jobs on the IRREF Awardee's payroll during the Base Period. The number of base jobs may be documented in one of two ways: The IRREF Awardee's UCT-6 filings to the Florida Department of Revenue or by employment documentation submitted by the IRREF Awardee at the time of its first Annual

28

Certification. Once the number of base jobs is set, that number is used for all subsequent claims associated with the project.

B. Full-Time Equivalent Jobs Calculation:

The following method, or a method approved by OEDE which will yield comparable results, should be used to determine full-time-equivalent employment for each period.

1. **Total** full-time equivalent project jobs for the Base Period and Annual Certification Period – For each week in the period, the number of full-time equivalent project **support** jobs (as defined above) may be added to the number of **full-time** equivalent **direct** project jobs (as defined above) to obtain total **full-time equivalent project employment for each pay period.**

2. **Average** full-time equivalent project jobs for the Base Period and Annual Certification Period – Add the project full-time equivalent employment for all pay periods and divide by the number of pay periods to determine the average full- time equivalent project employment for the period. This is the full-time equivalent project jobs that should be reported as annual certification.

3. **Net New Job Calculation** – To qualify for the annual certification, the difference between Annual Certification Period and the Base Period, the net increase in jobs, must be at least as great as the number of full-time equivalent net new jobs specified in Section 5.0(c)(1) of this Agreement for the Annual Certification Period.

If the job creation schedule in the Agreement specifies an increase in net new jobs as a result of a new employment phase since the previous Annual Certification Period, the actual average employment for the new Annual Certification Period will be **evaluated against** an adjusted employment requirement. This **adjusted employment requirement** is obtained by averaging the required full time equivalent employment specified for the previous employment phase for the first nine months of the year and the new employment phase for last three months of the year. That is, the IRREF

Awardee will be expected to maintain the employment established for the first phase of the project throughout the year, but will only be evaluated against the additional jobs for the new phase for the final 3 months of the year. Averages are used rather than a strict month-to-month comparison because it is understood that there are month-to-month fluctuations in employment due to turnover and other reasons beyond the control of the business. **Example:** If the IRREF project involved the expansion of an existing Florida business with a base full time equivalent employment of 200 and the business had agreed to create 50 net new jobs by December 31 of the first year and an additional 65 net new jobs by December 31 of second year, the annual certification would be evaluated as follows:

1. The evaluation for the first year would compare average employment for period October 1 through December 31 of year 1 against a required number of jobs of 250 (the 200 base

jobs, plus the 50 net new jobs scheduled in the agreement).

2. The second year evaluation would compare the average of actual employment for the period October 1 through December 31 against the 315 cumulative jobs scheduled for that phase. In addition, to be sure that the jobs for the previous phase were maintained throughout the year, the average of actual full time equivalent jobs for the period January 1 through December 31 of the second year would be compared to an adjusted job requirement obtained by averaging the scheduled employment for the previous employment phase for nine months and the new employment phase for three months. In this example the adjusted job requirement for the second year would be an average of 250 for nine months and 315 for three months or ((9*250+3*315)/12) = 266.

Once the final phase of a jobs creation project is reached, the required certification as to maintenance of those jobs will be based on a simple comparison of the actual full time equivalent employment against the maintenance of the cumulative full time equivalent employment specified for the final phase of jobs creation.

Worksheets, hard copy and/or electronic format (MS Excel format preferred), showing these calculations should be submitted with the certification. All hard copies of worksheets should be signed.

pensacola news journal

CONTRIBUTORS | Opinion *This piece expresses the views of its author(s), separate from those of this publication.*

ST Engineering turns American dream into nightmare | Guestview

John Herron Guest columnist

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Project Titan is a publicly funded aircraft maintenance facility at Pensacola Airport where local high-paying jobs were promised, but Singapore-based ST Engineering, the main beneficiary, recruited guest workers from other countries to fill those positions. To attract guest workers, ST promised opportunities for progression, for promotions, and for a pathway to a green card.

A year later, ST is dismissing the guest workers without warning. The workers and their families are now without work and left in immigration limbo. There must be more transparency with Project Titan to monitor jobs filled, worker pay in relation to median wage levels, and work rules to ensure healthy labor relations and a just culture.

When the story about ST's treatment of guest workers broke, ST gave no specifics but told local media "[ST] has employed people here on temporary work visas. We are incredibly appreciative of their contributions to our community." But the day before, ST mailed *postdated* termination letters to the workers, telling them: "Please make immediate arrangements to leave the United States if you have not already done so." ST provided the name and email address of a company lawyer to discuss immigration options but calls and emails seeking advice were not answered.

Grace Resendez McCaffery, founder of the Hispanic Recourse Center, advocates for the displaced workers. They are *la familia*, she warmly explains.

The Chilean workers "were recruited, hired, and ultimately dismissed in large numbers ... they probably wouldn't be here had they received proper communication from [ST]" McCaffery told the Pensacola City Council. She shared individual stories detailing the gut-wrenching economic and emotional toll this has had on the guest workers and their families.

The Chilean workers are asking for fair and transparent processes for all workers, and the protection of basic worker dignities and human rights for themselves and future workers at ST.

"We learned there are about 250 Chilean workers at ST, but ST is not answering questions about layoffs, is not answering questions about what the visa problem is (or if there really is one)" McCaffery informs us.

Commissioner Mike Kohler wrote ST representatives on behalf of the dismissed Chilean workers, urging them to meet while calling for more accountability. Addressing the difficulties the Chilean workers face, Kohler explains: "Their unemployment from their visa sponsor in a place where there is a language barrier and great distance from their home country and support system requires immediate and sufficient action as a matter of humaneness, decency and responsibility as their visa sponsor."

The problem is, I think, first, ST's corporate culture is in conflict with our community culture. No matter what your national origin, we no longer treat people this way. Second, ST's corporate culture reduces safety margins because there is no way front line workers can freely communicate safety concerns to upper management when doing so can

impact costs, when visa sponsorship can be so freely withdrawn, and when employees can be so quickly compelled to leave the country.

Corporate Culture, and *Flying Cheaper*

ST boasts Pensacola's "state-of-the-art infrastructure" when signing Maintenance, Repair and Overhaul (MRO) contracts with North American customers – one, a 10-year contract worth $600 Million. And ST enjoyed profits that exceeded $700 Million last year.

So it's not surprising local officials dazzled us with promises of job creation and economic benefits after trips to ST headquarters in Singapore. But it is surprising to see and hear evidence this global corporation pushes workers harder than it should.

ST Mobile was the focus in *Flying Cheaper*, an investigative report by PBS Frontline. *Flying Cheaper* provided evidence showing ST "pencil whipped" paperwork for jobs not completed, failed to follow FAA rules for tracking parts including some hidden at an off-site warehouse, and hired employees who can't understand English sufficiently to do their jobs. This raises concerns about the health of the employee-management relationship at ST and the corporate culture.

I lobbied Capitol Hill with other pilots in 2008 to end outsourced heavy aircraft maintenance to foreign countries for the safety reasons discussed in *Flying Cheaper*, and more. The lobbying effort succeeded, but what we are seeing in Mobile, and now Pensacola, is not what was envisioned. And I don't think we've seen all the manifestations of this cultural shift yet.

It is essential we closely scrutinize Project Titan as it continues to evolve. Managing Project Titan, without stifling it, will be a significant but necessary challenge. I hope our elected representatives engaged in this partnership with ST will require transparency, ask necessary questions, and demand clear answers. Our community has a lot of skin in the game, and if ST treats Chilean guest workers in such a detached and inhumane manner, we should not expect local workers to be treated differently.

Like the mistreated Chilean workers, the aspiring young workers of our community deserve better.

John Herron is an airline pilot and was a legislative affairs representative and labor negotiator on behalf of airline pilots. He resides in Pensacola where he started flying in the Navy and was a flight instructor. He earned a Juris Doctorate from the Temple University School of Law and is a graduate of the U.S. Naval Academy.